

DELRAN TOWNSHIP FIRE DISTRICT No. 1

Financial Statements

For the year ended December 31, 2015

(With Independent Auditor's Report thereon)

DELRAN TOWNSHIP FIRE DISTRICT No. 1
Financial Statements and Supplementary Schedules
For the year ended December 31, 2015
(With Independent Auditor's Report thereon)

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INDEPENDENT AUDITOR'S REPORT

Delran Township Board of Fire Commissioners
Fire District No. 1
Delran, New Jersey 08075

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of each major fund and the aggregate remaining fund information of the Delran Township Fire District No. 1, County of Burlington, State of New Jersey, as of and for the fiscal year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fire District No. 1 of the Township of Delran No. 1, County of Burlington, 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 2 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 and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

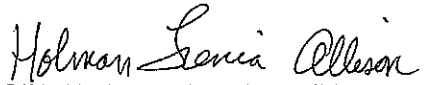
Other Information

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

The long-term debt - schedule of serial bonds payable and of obligations under capital leases is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the long-term debt schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2016, on our consideration of the Fire District No. 1 of the Township of Delran'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 the Fire District No. 1 of the Township of Delran's internal control over financial reporting and compliance.


HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

June 27, 2016
Medford, New Jersey



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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**

Delran Township Board of Fire Commissioners
Fire District No. 1
Delran, New Jersey 08077

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 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, each major fund, and the aggregate remaining fund information of Fire District No. 1 of the Township of Delran 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 and have issued our report thereon dated June 27, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fire District No. 1 of the Township of Delran No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fire District No. 1 of the Township of Delran No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of Fire District No. 1 of the Township of Delran No. 1's internal control.

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

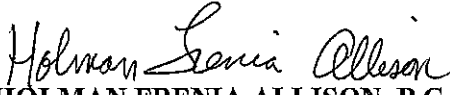
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether District'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 or 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.

Purpose of this Report

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


HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

June 27, 2016
Medford, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED

The District provides fire protection services to a 7.5 square mile area of Delran Township. The population of the District is approximately 18,000. The District is a separate government body known as a Special District and is governed by an elected board of Commissioners. Fire districts are governed by *N.J.S.A.40A:14-70* et al. and organized as a taxing authority charged with the responsibility of providing resources necessary to provide fire-fighting services to the residents within its territorial location. This section of the District's financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended.

Description of the Basic Financial Statements

The financial statements consist of the following parts: Management's discussion and analysis; the basic financial statements consisting of government-wide financial statements, and fund financial statements (governmental); notes to the financial statements; and required supplementary information.

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

Government-wide financial statements are prepared on the accrual basis of accounting and economic resources focus. The required financial statements are: Statement of Net Position (Exhibit A-1) and Statement of Activities (Exhibit A-2). The Statement of Net Position reports all assets and liabilities, both financial and capital, and short-term and long-term of the District. The Statement of Activities reports all revenue and expenses during the year, regardless of when cash is received or paid. This form of reporting is new this fiscal year and will continue in the future.

Governmental funds financial statements are prepared on the modified accrual basis of accounting and current financial resources focus. This the traditional form for our financial statements. The required financial statements are: Balance Sheet (Exhibit B-1) and Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit B-2). The Balance Sheet shows only assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during or soon after the end of the year.

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities, traces the change in fund balances to the change in net position report in Exhibit B-3.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities as the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term in-flows and out-flows of spendable resources, as well as on balances of spendable resources available at the end of the year.

The District maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund and debt service fund all of which are considered major funds.

Condensed Government-wide Financial Data

	2015	2014
Unrestricted Current Assets	\$ 965,113	\$ 777,027
Capital Assets, Net of Accumulated Depreciation	7,671,462	7,641,281
Deferred Outflow of Resources	<u>77,196</u>	<u>-</u>
Total Assets and Deferred Outflow of Resources	<u>8,713,771</u>	<u>8,418,308</u>
Current Liabilities	702,049	646,118
Noncurrent Liabilities	3,551,152	3,493,756
Deferred Inflow of Resources	<u>123,105</u>	<u>-</u>
Total Liabilities and Deferred Inflow of Resources	<u>4,253,201</u>	<u>4,139,874</u>
Net Position:		
Invested in Capital Assets, Net of Accumulated Depreciation & Related Debt	4,177,706	3,714,967
Restricted Net Position	-	252,895
Unrestricted Net Position	<u>159,759</u>	<u>310,572</u>
Total Net Position	<u>4,337,465</u>	<u>4,278,434</u>
Total Liabilities and Net Position	<u>\$8,713,771</u>	<u>\$8,418,308</u>
Expenditures Governmental Activities, Net of Program Revenues	\$(1,586,657)	\$(1,632,646)
General Revenues:		
District Taxes	2,167,138	1,858,123
Permit Fees & Penalties	11,526	11,084
Interest Income	999	718
Supplemental Fire Services	5,162	5,202
Miscellaneous Revenue	15,275	7,642
Accrued Premium on Bond Refunding	<u>32,751</u>	<u>17,740</u>
Change in Net Position	<u>\$ 646,194</u>	<u>\$ 267,863</u>

Financial Analysis of the District as a Whole

The District's net position increased by \$646,194 for the fiscal year ended December 31, 2015, or approximately 15.1%, to a total of \$4,337,465. Of the \$4,337,465 in net position, \$4,177,706 is invested in capital assets (net of accumulated depreciation and related debt).

The 2014 net position was restated by a negative prior period adjustment of \$587,163 due to the implementation of GASB 68 (see Note 10).

Budgetary Highlights

Total General Fund expenditures were \$94,467 less than the amount budgeted. Total Capital Projects Fund expenditures were \$121,987 less than the amount budgeted.

Capital Assets

As of December 31, 2015, the District has invested \$11,010,599 in a broad range of capital assets including a new building, fire fighting vehicles, and equipment.

Capital Leases and Bonds Payable

During the year ended December 31, 2015, the District made payments on Capital Leases of \$173,807 and also paid off \$226,000 in principal towards the balance of the 2014 Refunding Bonds.

Economic Factors and Next Year's Budget

The District's main source of revenue is property taxes. The District expects property tax revenues to decrease by 3.4% to \$2,093,347 for the fiscal year ending December 31, 2016.

Budgeted expenditures are expected to decrease by 6% to \$2,148,847 for the fiscal year ending December 31, 2016.

Contacting the District's Financial Management

This financial statement is designed to provide a general overview of the District's finances. If you have questions about this financial statement or need additional financial information, contact the District's office at 900 Chester Avenue, P.O. Box 1007, Delran, New Jersey 08075.

DELRAN TOWNSHIP FIRE DISTRICT No. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	GOVERNMENTAL ACTIVITIES DECEMBER 31, 2015
ASSETS	
Current assets:	
Cash	\$ 959,951
Accounts receivable	5,162
Total current assets	<u>965,113</u>
Fixed assets (see note 4):	
Fixed assets (net of depreciation)	<u>7,671,462</u>
Total assets	<u>8,636,575</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred outflow of resources related to pension	<u>77,196</u>
Total deferred outflow of resources	<u>77,196</u>
Total assets and deferred outflow of resources	<u>8,713,771</u>
LIABILITIES	
Current liabilities:	
Accounts payable	170,329
Pension payable	24,639
Deferred revenue	8,640
Accrued interest payable	47,336
Current portion of long-term liabilities	<u>451,105</u>
Total current liabilities	<u>702,049</u>
Non current liabilities:	
Net pension liability	508,501
Long-term liabilities due beyond one year	<u>3,042,651</u>
Total noncurrent liabilities	<u>3,551,152</u>
Total liabilities	<u>4,253,201</u>
DEFERRED INFLOW OF RESOURCES	
Deferred inflow of resources related to pension	<u>123,105</u>
Total deferred inflow of resources	<u>123,105</u>
NET POSITION	
Net investment in capital assets	4,177,706
Unrestricted net position	<u>159,759</u>
Total net position	<u>\$ 4,337,465</u>

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

DELRAN TOWNSHIP FIRE DISTRICT No. 1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

			GOVERNMENTAL ACTIVITIES
	EXPENSES	CHARGES FOR SERVICES	DECEMBER 31, 2015
Governmental Activities:			
Fire Protection:			
Administration	\$ 237,073	\$ -	\$ (237,073)
Cost of Providing Services	1,024,712	34,784	(989,928)
Interest on Long-Term Liabilities	135,522	-	(135,522)
Depreciation	224,134	-	(224,134)
Total Governmental Activities	1,621,441	34,784	(1,586,657)
General Revenues:			
District Tax			2,167,138
Permit Fees & Penalties			11,526
Interest Income			999
Supplemental Fire Services			5,162
Miscellaneous			15,275
Accrued Premium on Bond Refunding			32,751
Total General Revenues			2,232,851
Changes in Net Position			646,194
Net Position Beginning of the Year			4,278,434
Prior period adjustment			(587,163)
Net Position, Beginning of the Year (Restated)			3,691,271
Net Position, End of the Year			<u>\$ 4,337,465</u>

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

DELRAN TOWNSHIP FIRE DISTRICT No. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015

	GENERAL FUND	CAPITAL PROJECTS	DECEMBER 31, 2015
Assets:			
Cash	\$ 959,951	\$ -	\$ 959,951
Accounts receivable	5,162	-	5,162
Other receivable	-	125,487	125,487
Total Assets	<u>\$ 965,113</u>	<u>\$ 125,487</u>	<u>\$ 1,090,600</u>
Liabilities & Fund Balances:			
Liabilities:			
Accounts payable	\$ 170,329	\$ -	\$ 170,329
Other payable	125,487	-	125,487
Pension payable	-	-	-
Deferred revenue	8,640	-	8,640
Total Liabilities	<u>304,456</u>	<u>-</u>	<u>304,456</u>
Fund Balances:			
Restricted for:			
Capital Projects		125,487	125,487
Unassigned	660,657	-	660,657
Total Fund Balances	<u>660,657</u>	<u>125,487</u>	<u>786,144</u>
Total Liabilities & Fund Balances	<u>\$ 965,113</u>	<u>\$ 125,487</u>	

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

Capital assets used in governmental activities are not financial resources and there fore are not reported in the funds. The cost of the assets is \$11,010,599 and the accumulated depreciation is \$3,339,137.	7,671,462
Accrued interest not recorded in current financial statements	(47,336)
Deferred outflows and inflows of resources related to pension are applicable to future reporting periods and, therefore, are not reported in the funds	(70,548)
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported as liabilities in the funds.	<u>(4,002,257)</u>
	<u>\$ 4,337,465</u>

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

DELRAN TOWNSHIP FIRE DISTRICT No. 1
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015

	GOVERNMENTAL FUND TYPES			TOTALS
	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	DECEMBER 31, 2015
Miscellaneous Revenues:				
Permit Fees & Penalties	\$ 11,526	\$ -	\$ -	\$ 11,526
Registration Fees	34,784	-	-	34,784
Interest on Investments	999	-	-	999
Other	15,275	-	-	15,275
Supplemental Fire Services	5,162	-	-	5,162
Total Miscellaneous Revenues	67,746	-	-	67,746
Total Revenues	67,746	-	-	67,746
Amount to be Raised by Taxation to Support the District Budget	1,273,772	348,000	545,366	2,167,138
Total Anticipated Revenues	1,341,518	348,000	545,366	2,234,884
Expenditures:				
Administration	237,073	-	-	237,073
Cost of Operations	1,061,128	-	-	1,061,128
Capital Outlay	-	226,013	-	226,013
Debt Service	-	-	545,366	545,366
Total Expenditures	1,298,201	226,013	545,366	2,069,580
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	43,317	121,987	-	165,304
Net Change in Fund Balances	43,317	121,987	-	165,304
Fund Balance, January 1	617,340	3,500	-	620,840
Fund Balance, December 31	\$ 660,657	\$ 125,487	\$ -	\$ 786,144

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

DELRAN TOWNSHIP FIRE DISTRICT No. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES IN THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ 165,304

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

Government funds report Capital outlays as expenditures. However,
in the statement of activities, the cost of those assets are allocated
over the estimated useful lives as depreciation expense. This is the
amount by which capital outlays exceeded depreciation expense
during the year.

Capital outlay - general fund	28,302	
Capital outlay - capital projects fund	226,013	
Less: Current Year Depreciation Expense	<u>(224,134)</u>	30,181

Accrued Interest on Long Term debt is not accrued in the
governmental fund financial statements:

Prior Year	57,373	
Current Year	<u>(47,336)</u>	10,037

Repayment of principal on long-term liabilities is an expenditure for
governmental funds, but the repayment reduces long-term
liabilities on the Government-Wide Statement of Net Position.
Principal payments made on long-term liabilities during the year
ended December 31, 2014 consist of the following:

2004 Bonds	226,000	
Capital Leases	<u>173,807</u>	399,807

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

Pension Expense - PERS Contribution 2015	(17,263)	
Pension Expense	<u>25,377</u>	8,114

Amortization of premiums from refunded debt issuances are recorded
when incurred in the governmental funds but are accrued and recaptured
over time in the statement of activities.

Prior Year	-	
Current Year	<u>32,751</u>	32,751

Change in Net Position of Governmental Activities (Exhibit A-2) \$ 646,194

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

**DELRAN TOWNSHIP FIRE DISTRICT No. 1
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 1: GENERAL INFORMATION

A. Description of Reporting Entity

Delran Township Fire District No. 1 is a political subdivision of the Township of Delran, Burlington County, New Jersey. It was formed through the adoption of a Township ordinance. A Board of five Commissioners oversees all operations of the Fire District. The length of each Commissioner's term is three years with the annual election held the third Saturday of every February.

Fire Districts are governed by *N.J.S.A.40A: 14-70* et al. are organized as a taxing authority charged with the responsibility of providing the resources necessary to provide fire-fighting services to the residents within its territorial location. Fire District #1 of the Township of Delran has two fire companies within its jurisdiction.

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

B. District Officials

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

Officials	Term Expires March
Charles S. Kendra, Sr. – President	2018
David Kinney – Vice President	2016
James C. Bauer – Secretary	2017
James T. Turcich – Treasurer	2018
Mark Mann – Assistant Treasurer	2016

C. Accounting Records

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

D. Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

E. Component Units

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

- ◆ the organization is legally separate (can sue or be sued in their own name)
- ◆ the District holds the corporate powers of the organization
- ◆ the District appoints a voting majority of the organization's board
- ◆ the District is able to impose its will on the organization

DELRAN TOWNSHIP FIRE DISTRICT No. 1
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1: GENERAL INFORMATION (continued)

E. Component Units (continued)

- ◆ the organization has the potential to impose a financial benefit/burden on the District
- ◆ there is a fiscal dependency by the organization on the District

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of the Fire District conform to generally accepted accounting principles (GAAP) applicable to governmental funds of state and local governments in accordance with the provisions of N.J.A.C. 5:31-7-1. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

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

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

B. Fund Accounting

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

Governmental Funds:

General Fund

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

DELRAN TOWNSHIP FIRE DISTRICT No. 1
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

Capital Projects Fund

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

Debt Service Fund

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

C. District Wide and Fund Financial Statements

District Wide Financial Statements

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments as of January 1, 2004. The District adopted the provisions of Governmental Accounting Standards Board Statement No. 63, Statement of Net Position as of January 1, 2012. The District’s basic financial statements reflect the implementation.

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. GASB Statement No.65 reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

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

Fund Financial Statements

The fund financial statements provide detail of the governmental funds.

DELRAN TOWNSHIP FIRE DISTRICT No. 1
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets and Budgetary Accounting

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

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

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

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

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

E. 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, are reported as reservations of fund balances at year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current year-end. The District had no encumbrances at December 31, 2015.

F. Cash

Cash and cash equivalents include petty cash, change funds and cash in banks. All certificates of deposit are recorded as cash regardless of the date of maturity. Fire districts are required by N.J.S.A. 40A: 5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey organized under the laws of the United States or of the State of New Jersey or with the New Jersey Cash Management Fund. N.J.S.A. 40A: 5-15.1 provides a list of investments that may be purchased by fire districts.

N.J.S.A. 17:9-42 requires New Jersey governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the provision of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in the State of New Jersey.

DELRAN TOWNSHIP FIRE DISTRICT No. 1
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash (continued)

Public funds are defined as the funds of any governmental unit. Public depositories include savings and loan institutions, banks (both State and National banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of five percent of its average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

G. Prepaid Expenses

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

H. Debt Limitation

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

I. Capital Assets

Capital assets, which include land, building, improvements, and equipment, are reported in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. The District has set capitalization thresholds for reporting capital assets of \$2,000. Depreciation is recorded on the straight-line method over the useful lives of the assets as follows:

Building and Improvements	5 to 30 Years
Equipment	5 to 15 Years
Apparatus	5 to 25 Years

J. Inventory, Materials and Supplies

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

K. Interfund Receivable/Payable

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

DELRAN TOWNSHIP FIRE DISTRICT No. 1
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Compensated Absences

Fire District employees are entitled to vacation and sick leave. Five days of unused vacation time may be carried over to the following year with board approval. Unused sick leave is paid back to employees at the beginning of the following year. Benefits paid in any future year will be calculated according to formulas outlined in the Fire District's agreement with the employee's union and included in the current year's budget.

M. Revenues and Expenditures

Revenues are recorded when they are determined to be both available and measurable. Generally, fees and other non-tax revenues are recognized when qualifying expenditures are incurred.

Expenditures are recorded when the related liability is incurred, if measurable, except for un-matured interest on general long-term debt, which is recognized when due.

N. Fire District Taxes

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

O. Fund Equity

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Fire District No. 1 of the Township of Delran No. 1 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 authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Business Administrator.
- Unassigned – includes balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds

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

DELRAN TOWNSHIP FIRE DISTRICT No. 1
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. 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.

Q. Use of Estimates

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

R. Deferred Inflows/Outflows 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.

S. Impact of Recently Issues Accounting Principles

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). 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.

DELRAN TOWNSHIP FIRE DISTRICT No. 1
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Impact of Recently Issues Accounting Principles (continued)

Recently Issued and Adopted Accounting Pronouncements

The District has adopted and implemented all current standards of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2015.

GASB has issued Statement No. 72, *Fair Value Measurement and Application*, effective for the year ending June 30, 2016

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

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

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

T. Unrealized Gains and Losses

Governmental Accounting Standards Board (GASB) has established GASB-31, which requires public agencies to report the financial effect of all unrealized gains and losses on invested funds. As of December 31, 2015, the unrealized gains for the Fire District were not considered to be material to the financial statements taken as a whole, and accordingly, has not been reflected in the financial statements.

U. Subsequent Events

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

NOTE 3. CASH

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

Type	Carrying Value
Deposits:	
Demand Deposits	<u>\$959,951</u>
Total Deposits	<u>\$959,951</u>

DELRAN TOWNSHIP FIRE DISTRICT No. 1
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 3. CASH (continued)

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2015, the District's bank balance of \$996,586 was insured or collateralized as follows:

Insured	\$338,523
Collateralized in the District's Name Under GUDPA	<u>658,063</u>
Total	<u>\$996,586</u>

NOTE 4. CAPITAL ASSETS

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

	Beginning Balance December 31, 2014	Additions	Retirements	Ending Balance December 31, 2015
Land	\$ 343,900	\$ -	\$ -	\$ 343,900
Vehicles	3,280,239	736,061	-	4,016,300
Building	5,725,980	-	-	5,725,980
Construction in progress	832,539	217,693	(832,539)	217,693
Equipment	<u>573,626</u>	<u>133,100</u>	<u>-</u>	<u>706,726</u>
Totals at historical cost	<u>10,756,284</u>	<u>1,086,854</u>	<u>(832,539)</u>	<u>11,010,599</u>
Less: accumulated depreciation	<u>(3,115,003)</u>	<u>(224,134)</u>	<u>-</u>	<u>(3,339,137)</u>
Total	<u>\$ 7,641,281</u>	<u>\$ 862,720</u>	<u>\$ (832,539)</u>	<u>\$ 7,671,462</u>

N.J.S.A. 40A: 14-84 governs the procedures for the acquisition of property and equipment for the Fire Districts, and the *N.J.S.A. 40A: 14-85-87* governs procedures for the issuance of any debt related to such purchases. In summary, Fire Districts may purchase fire fighting apparatus, equipment, land, and buildings to house such property in an amount not exceeding five mills on the dollar of the least assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or two percent of the assessed valuation of property, whichever is larger.

DELRAN TOWNSHIP FIRE DISTRICT No. 1
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 5. NONCURRENT LIABILITIES

During the fiscal year ended December 31, 2015 the following changes occurred in noncurrent liabilities:

	Beginning Balance December 31, 2014	Additions	Retirements	Ending Balance December 31, 2015	Due Within One Year
Capital leases payable	\$ 975,816	\$ -	\$ 173,807	\$ 802,009	\$ 179,354
Premium on bonds	312,498	-	32,751	279,747	32,751
Bonds payable	2,638,000	-	226,000	2,412,000	239,000
Net pension liability	559,580	-	51,079	508,501	-
Totals	<u>\$ 4,485,894</u>	<u>\$ -</u>	<u>\$ 483,637</u>	<u>\$ 4,002,257</u>	<u>\$ 451,105</u>

A. Bonds Payable:

During 2014, voters of the District approved a Bond Refunding Ordinance amounting to \$2,638,000 for the refunding of the 2004 General Obligation Bonds used for the construction of firehouses and purchase of additional fire apparatus. Principal and interest due on outstanding Bonds is as follows:

Fiscal Year Ended	Principal	Interest	Total
2016	\$ 239,000	\$ 103,180	\$ 342,180
2017	245,000	96,010	341,010
2018	253,000	88,660	341,660
2019	264,000	78,540	342,540
2020	257,000	67,980	324,980
2021-2024	<u>1,154,000</u>	<u>141,750</u>	<u>1,295,750</u>
Total	<u>\$ 2,412,000</u>	<u>\$ 576,120</u>	<u>\$ 2,988,120</u>

B. Capital Leases Payable:

The following is a summary of property held under capital leases:

2009 Pierce Arrow XT Pumper
2015 Pierce Impel Pumper

The following is a schedule of future minimum lease payments under the capital lease for the above items at December 31, 2015:

Fiscal Year Ended	Principal	Interest	Total
2016	\$ 179,354	\$ 23,635	\$ 202,989
2017	185,084	17,906	202,990
2018	104,998	11,989	116,987
2019	107,875	9,113	116,988
2020	110,831	6,157	116,988
2021	<u>113,867</u>	<u>3,120</u>	<u>116,987</u>
Total	<u>\$ 802,009</u>	<u>\$ 71,920</u>	<u>\$ 873,929</u>

DELRAN TOWNSHIP FIRE DISTRICT No. 1
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 6: PENSION OBLIGATIONS

A. Public Employees' Retirement System (PERS)

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

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

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 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. 68 *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.

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.

DELRAN TOWNSHIP FIRE DISTRICT No. 1
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 6: PENSION OBLIGATIONS (continued)

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

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.

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	<u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
12/31/2015	\$ 19,475	100%	\$ 508,501
12/31/2014	\$ 24,639	100%	\$ 559,580
12/31/2013	\$ 24,410	100%	\$ 556,051

Components of Net Pension Liability - At December 31, 2015, the District reported a liability of \$19,475 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 .00227%, which was a decrease of .00072% from its proportion measured as of June 30, 2014.

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

	<u>12/31/2015</u> July 1, 2014	<u>12/31/2014</u> July 1, 2013
Acturial valuation date		
Deferred Outflows of Resources	\$ 77,196	\$ 30,404
Deferred Inflows of Resources	\$ 123,105	\$ 33,348
Net Pension Liability	\$ 508,501	\$ 559,580
District's portion of the Plan's total net pension Liability	0.00227%	0.00299%

DELRAN TOWNSHIP FIRE DISTRICT No. 1
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 6: PENSION OBLIGATIONS (continued)

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

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended December 31, 2015, the District recognized pension expense of \$25,377. At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 54,609	\$ -
Net difference between expected and actual experience	12,131	-
Net difference between projected and actual earnings on pension plan investments	-	8,176
Changes in proportion and differences between District contributions and proportionate share of contributions	10,456	114,929
Total	<u>\$ 77,196</u>	<u>\$ 123,105</u>

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

<u>Year Ended June 30</u>	<u>PERS</u>
2016	\$ (8,676)
2017	(8,676)
2018	(8,676)
2019	(339)
2020	(19,542)
Thereafter	-

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:

DELRAN TOWNSHIP FIRE DISTRICT No. 1
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 6: PENSION OBLIGATIONS (continued)

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

	<u>PERS</u>
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 1 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:

DELRAN TOWNSHIP FIRE DISTRICT No. 1
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 6: PENSION OBLIGATIONS (continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
Total	100%	

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.

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

	<u>1% Decrease</u> <u>(3.90%)</u>	<u>Current Discount</u> <u>Rate (4.90%)</u>	<u>1% Increase</u> <u>(5.90%)</u>
District's proportionate share of the net pension liability	\$ 632,005	\$ 508,501	\$ 404,957

DELRAN TOWNSHIP FIRE DISTRICT No. 1
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 7. INTERFUND

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

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ -	\$ 125,487
Capital Projects	<u>125,487</u>	<u>-</u>
Total	<u>\$ 125,487</u>	<u>\$ 125,487</u>

The purpose of interfunds are short-term borrowings.

Interfunds receivables are recorded as other receivables. Interfund payables are recorded as other payables.

NOTE 8: FUNDING

The activities of the Board of Commissioners are primarily funded by the striking of the fire tax on the property owners of the Fire District, as provided for by the state statute. For the year ended December 31, 2015, the fire tax rate on Fire District No. 1 of the Township of Delran was approximately \$.155 per \$100 of assessed valuation.

NOTE 9: FUND BALANCE

General Fund – Of the \$660,657 General Fund fund balance at December 31, 2015, \$660,657 is unassigned.

Capital Projects Fund – Of the \$125,487 Capital Projects Fund balance at December 31, 2015, \$125,487 is restricted for Capital.

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

DELRAN TOWNSHIP FIRE DISTRICT No. 1
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10: PRIOR PERIOD ADJUSTMENT/RESTATEMENT

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*.

	Governmental <u>Activities</u>
Net Position as previously reported at December 31, 2014	\$ 4,278,434
Prior period adjustment -	
Implementation of GASB 68:	
Net Pension Liability (measurement date as of June 30, 2014)	(559,580)
PERS Pension Payable (2015 District PERS Pension Contribution)	(24,639)
Deferred Outflows (measurement date as of June 30, 2014)	30,404
Deferred Inflows (measurement date as of June 30, 2014)	(33,348)
Total prior period adjustment	(587,163)
Net Position as restated, January 1, 2015	\$ 3,691,271

DELRAN TOWNSHIP FIRE DISTRICT No. 1
BUDGETARY COMPARISON SCHEDULE -
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL BUDGETARY BASIS	VARIANCE FAVORABLE/ (UNFAVORABLE)
Miscellaneous Revenues:				
Permit Fees & Penalties	2,500	2,500	11,526	9,026
Sale of Asset	8,000	8,000	-	(8,000)
Registration Fees	34,896	34,896	34,784	(112)
Interest on Investments	1,000	1,000	999	(1)
Other	17,000	17,000	15,275	(1,725)
Supplemental Fire Services	5,500	5,500	5,162	(338)
Total Miscellaneous Revenues Anticipated	68,896	68,896	67,746	(1,150)
Amount to be Raised by Taxation to Support the District Budget	1,621,772	1,621,772	1,621,772	-
Total Revenues	1,690,668	1,690,668	1,689,518	(1,150)
EXPENDITURES				
Operating Appropriations:				
Administration:				
Salaries & Wages	50,500	50,500	50,500	-
Employee Benefits	3,341	3,341	3,064	277
Election	1,500	1,500	1,168	332
Insurance Premiums	53,184	53,184	53,182	2
Membership Dues & Subscriptions	2,500	2,500	795	1,705
Office Supplies & Postage	7,500	7,500	8,120	(620)
Office Operations	10,000	10,000	25,673	(15,673)
Advertising	3,000	3,000	1,219	1,781
Utilities	18,000	18,000	12,169	5,831
Professional Services	60,000	60,000	66,076	(6,076)
Office Rent	10,000	10,000	9,900	100
Promotion	5,000	5,000	5,207	(207)
Total Administration	224,525	224,525	237,073	(12,548)

DELRAN TOWNSHIP FIRE DISTRICT No. 1
BUDGETARY COMPARISON SCHEDULE -
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL BUDGETARY BASIS	VARIANCE FAVORABLE/ (UNFAVORABLE)
Cost of Operations:				
Salaries & Wages	30,000	30,000	-	30,000
Employee Benefits	74,481	74,481	73,564	917
Maintenance & Repair	90,000	90,000	123,981	(33,981)
Membership Dues & Subscriptions	2,500	2,500	1,925	575
Rental Charges	30,000	30,000	30,000	-
Utilities	80,000	80,000	70,445	9,555
Professional Services	50,000	50,000	43,501	6,499
Other Operating Materials & Supplies	125,000	125,000	145,645	(20,645)
Personal Protective Equipment	45,000	45,000	5,436	39,564
Fire Hydrant Rentals or Services	156,000	156,000	153,683	2,317
Training & Education	30,000	30,000	22,060	7,940
Pagers	6,000	6,000	-	6,000
Uniform & Personal Equipment	10,000	10,000	4,191	5,809
Aid to Emergency Squad	33,000	33,000	28,000	5,000
Reimbursement for Expenses	125,000	125,000	119,911	5,089
Contingent Expenses	10,000	10,000	5,646	4,354
Uniform Fire Safety Act:				
Salary and Wages	165,650	165,650	165,650	-
Employee Benefits	65,512	65,512	67,490	(1,978)
Other Expenses	40,000	40,000	-	40,000
Total Cost of Operations	1,168,143	1,168,143	1,061,128	107,015
Capital Outlay				
Capital Improvements	348,000	348,000	226,013	121,987
Total Capital Outlay	348,000	348,000	226,013	121,987
Total Expenditures	1,740,668	1,740,668	1,524,214	216,454
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(50,000)	(50,000)	165,304	215,304
Fund Balances, January 1	620,840	620,840	620,840	-
Fund Balances, December 31	\$ 570,840	\$ 570,840	\$ 786,144	\$ 215,304

DELRAN TOWNSHIP FIRE DISTRICT No. 1
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE -
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

REVENUES	ORIGINAL BUDGET	ADJUSTED FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Amount to be Raised by Taxation to Support the District Budget	\$ 545,366	\$ 545,366	\$ 545,366	\$ -
Total Revenues	545,366	545,366	545,366	-
EXPENDITURES				
Principal Payments:				
2014 Bonds	226,000	226,000	226,000	-
Capital Leases	173,807	173,807	173,807	-
Interest Payments:				
2014 Bonds	116,376	116,376	116,376	-
Capital Leases	29,183	29,183	29,183	-
Total Expenditures	545,366	545,366	545,366	-
Fund Balances, December 31	\$ -	\$ -	\$ -	\$ -

DELRAN TOWNSHIP FIRE DISTRICT No. 1
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.00227%	0.00299%	0.00291%
District's proportionate share of the net pension liability (asset)	\$ 508,501	\$ 559,580	\$ 556,051
District's covered-employee payroll	\$ 161,028	\$ 156,256	\$ 194,077
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	315.78%	358.12%	286.51%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	52.08%	48.72%

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

DELRAN TOWNSHIP FIRE DISTRICT No. 1
Schedule of Authority Contributions
Public Employees' Retirement System
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 19,475	\$ 24,639	\$ 24,410
Contributions in relation to the contractually required contribution	<u>19,475</u>	<u>24,639</u>	<u>24,410</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 161,028	\$ 156,256	\$ 194,077
Contributions as a percentage of covered-employee payroll	12.09%	15.77%	12.58%

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

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

Public Employees' Retirement System (PERS)

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

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

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

DELRAN TOWNSHIP FIRE DISTRICT No. 1
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2015

ISSUE	DATE OF ISSUE	AMOUNT OF ISSUE	ANNUAL MATURITIES DATE	AMOUNT	INTEREST RATE	BALANCE JANUARY 1, 2015	ISSUED	RETIRED	REFUNDED	BALANCE DECEMBER 31, 2015
General Refunding Bonds, 2014	7/16/14	2,638,000	8/15/16	239,000	3.000%	2,638,000	-	226,000	-	2,412,000
			8/15/17	245,000	3.000%					
			8/15/18	253,000	4.000%					
			8/15/19	264,000	4.000%					
			8/15/20	257,000	4.000%					
			8/15/21	268,000	5.000%					
			8/15/22	281,000	5.000%					
			8/15/23	295,000	5.000%					
			8/15/24	310,000	5.000%					
Total						\$ 2,638,000	\$ -	\$ 226,000	\$ -	\$ 2,412,000

DELRAN TOWNSHIP FIRE DISTRICT No. 1
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE YEAR ENDED DECEMBER 31, 2015

DESCRIPTION	DATE OF LEASE	TERM OF LEASE	AMOUNT OF		INTEREST RATE PAYABLE	PRINCIPAL OUTSTANDING JANUARY 1, 2015	ISSUED	RETIRED	PRINCIPAL OUTSTANDING DECEMBER 31, 2015	DUE IN 1 YEAR
			ORIGINAL PRINCIPAL	INTEREST						
Fire Truck - Lease 2010	7/19/10	7 years	\$ 520,801	\$ 81,216	3.75%	\$ 239,755	\$ -	\$ 76,988	\$ 162,767	\$ 79,882
Fire Truck - Lease 2014	8/26/14	7 years	736,061	82,852	2.75%	736,061	-	96,819	639,242	99,472
Total						\$ 975,816	\$ -	\$ 173,807	\$ 802,009	\$ 179,354



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Board of Fire Commissioners
Delran Township Fire District No. 1
Delran, New Jersey 08075

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

GENERAL COMMENTS

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

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500, except by contract or agreement.

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

Review of the minutes and financial transactions identified bids requested by public advertising for the roof replacement project. The results of our examination did not disclose any discrepancies.

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

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

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$2,625 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A. 40A:11-6.1*).

The minutes indicate that quotes were requested for all items that required them.

Examination of Bills

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.

Examination of Cash Receipts

A test check of cash receipts was made.

Budget

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

Follow-up of Prior Year Findings

There were no findings in the previous year.

Acknowledgment

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

Should you have any questions, please contact us.


HOLMAN FRENIA ALLISON, P. C.
Certified Public Accountants

June 27, 2016
Medford, New Jersey