

Annual
Financial Report

of the

***Board of Fire Commissioners
Fire District Number One
of the Township of Hillsborough***

For the Years Ended December 31, 2015 and 2014

Prepared By

The Fire District

Finance Department

BOARD OF FIRE COMMISSIONERS

FIRE DISTRICT NUMBER ONE OF THE TOWNSHIP OF HILLSBOROUGH

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FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District Number One of the
Township of Hillsborough
379 South Branch Road
Hillsborough, New Jersey 08844

Report on the Financial Statements

We have audited the accompanying financial statements of the of the Fire District Number One of the Township of Hillsborough (the "Fire District") as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Fire 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. 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.

SUPLEE, CLOONEY & COMPANY

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fire District as of December 31, 2015 and 2014, and the respective changes in financial position and cash flows thereof 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 identified 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 an opinion on the financial statements that collectively comprise the Fire District's financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

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

SUPLEE, CLOONEY & COMPANY

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 16, 2016 on our consideration of the Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Fire District's internal control over financial reporting and compliance.

September 16, 2016

A handwritten signature in cursive script that reads "Suplee, Clooney & Company". The signature is written in black ink and is positioned to the right of the date.



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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

Board of Fire Commissioners
Fire District Number One of the
Township of Hillsborough
379 South Branch Road
Hillsborough, New Jersey 08844

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 Fire District Number One of the Township of Hillsborough (the "Fire District") as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Fire District's financial statements, and have issued our report thereon dated September 16, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fire District's 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 Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of Fire District Number One of the Township of Hillsborough'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. 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.

SUPLEE, CLOONEY & COMPANY

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fire District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

September 16, 2016

A handwritten signature in black ink that reads "Suplee, Clooney & Company". The signature is written in a cursive, flowing style.

MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis **Unaudited**

In this section of the annual report, management of The Board of Fire Commissioners Fire District Number One of the Township of Hillsborough (the "Fire District") presents a narrative discussion and analysis of the Fire District's financial activities for the years ended December 31, 2015 and 2014. This section of the report should be read in conjunction with the Fire District's audited financial statements and supplementary information for the year ended December 31, 2015 and 2014. The Fire District's audited financial statements are presented in conformity with U.S. generally accepted accounting principles.

Audit Assurance

The opinion of our independent auditors, Suplee Clooney & Company is included in this report.

Financial Highlights

Total assets at year-end 2015 totaled \$3.88 million comprised of cash and fixed assets and is an increase of \$72 thousand or 0.02% from 2014's \$3.81 million.

Liabilities total \$314 thousand is a decrease of \$58 thousand over the prior year's \$372 thousand comprised of accounts payable. Working capital balances are adequate to meet the operational needs of the Fire District.

Operating Revenues totaled \$2.4 million while Operating Expenses totaled \$2.27 million. Operating Expenses decreased \$34 thousand or 1.5% from the prior year. Total operating revenues increased \$205 thousand or 9.3% from prior year.

Revenue from property tax totaled \$1.99 million for 2015 versus \$1.76 million for 2014, which represents an increase of \$233 thousand.

Cash and Investments of \$2.02 million increased \$255 thousand from the prior the year's \$1.77 million.

Overview of Annual Financial Report

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; notes to the financial statements; and required supplemental information.

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the District's budget, and other management tools were used for this analysis.

The basic government-wide 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.

Overview of Annual Financial Report (Continued)

Government-wide financial statements are prepared on the accrual basis of accounting and economic resources focus. The required financial statements are: Statement of Net Position and Statement of Activities. The Statement of Net Position reports all assets and liabilities, both financial and capital, and short-term and long-term of the Fire District. The Statement of Activities reports all revenue and expenses during the year regardless of when cash is received or paid.

Governmental funds financial statements are prepared on the modified accrual basis of accounting and current financial resources focus. This is the traditional form for our financial statements. The required financial statements are: Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet shows only assets and liabilities that come due during the year or soon thereafter; no capital assets or long term liabilities are included. The Statement of Revenues, Expenses 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.

Exhibit B-3 – Reconciliation of the Government Fund Balance Sheet to the Government-wide Statement of Net Position, explains the differences between the two balance sheets. Exhibit B-4 – Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Government Funds to the Statement of Activities, traces the change in fund balances to the change in net assets reported in Exhibit A-2.

General Fund – This fund is used to finance the operations of the Fire District. All tax revenues are placed in the General Fund and regular operating expenses are charged here. Funds used for Capital Equipment and projects are transferred from the General Fund to the Capital Outlay Fund.

Capital Outlay Fund - Used to separate funds for capital equipment and projects. All capital expenditures are taken from this fund. Funds in this account come from revenue transferred from the General Fund to be used for capital improvements, the sale of existing assets (such as equipment), and interest received on the balance in the fund.

Debt Service Fund – Used to separate funds for lease and loan payments. All debt service payments are taken from this fund. Funds in this account come from revenue transferred from the General Fund to be used for principal and interest on lease and loan payments and interest received on the balance in the fund.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Fire District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Financial Analysis

The following comparative condensed financial statements and other selected information serve as key financial data and indicators for management, monitoring and planning:

Financial Analysis

The following comparative condensed financial statements and other selected information serve as key financial data and indicators for management, monitoring and planning:

Condensed Financial Statements

Condensed Statement of Net Position

	December 31		Variance		2013
	2015	2014	Dollars	%	
Assets:					
Cash and Investments	\$ 2,029,955	\$ 1,775,136	\$ 254,819	14.4%	\$ 1,553,364
Property, Plant and Equipment - Net	1,853,640	2,036,681	(183,041)	-9.0%	2,305,514
Total Assets	\$ 3,883,595	\$ 3,811,817	\$ 71,778	1.9%	\$ 3,858,878
Liabilities:					
Accounts Payable	\$ 313,959	\$ 372,437	\$ (58,478)	-15.7%	\$ 311,364
Total Liabilities	313,959	372,437	(58,478)	-15.7%	311,364
Net Position:					
Invested in Capital Assets	1,853,640	2,036,681	(183,041)	-9.0%	2,305,514
Unrestricted Net Position	465,875	274,737	191,138	69.6%	318,763
Restricted Capital Projects	1,250,121	1,127,962	122,159	10.8%	923,237
Total Net Position	3,569,636	3,439,380	130,256	3.8%	3,547,514
Total Liabilities and Position	\$ 3,883,595	\$ 3,811,817	\$ 71,778	1.9%	\$ 3,858,878

Condensed Statement of Revenue, Expenses, and Changes in Net Position

	December 31		Variance		2013
	2015	2014	Dollars	%	
Operating Revenues:					
Taxation	\$ 1,997,691	\$ 1,764,526	\$ 233,165	13.2%	\$ 1,706,673
Other	401,974	430,257	(28,283)	-6.6%	342,024
Total Operating Revenues	2,399,665	2,194,783	204,882	9.3%	2,048,697
Operating Expenses:					
Operations and Maintenance	2,269,409	2,302,917	(33,508)	-1.5%	2,229,737
Total Operating Expenses	2,269,409	2,302,917	(33,508)	-1.5%	2,229,737
Operating Income/(Loss)	130,256	(108,134)	238,390	-220.5%	(181,040)
Change in Net Assets	130,256	(108,134)	238,390	-220.5%	(181,040)
Net Position, Beginning of Year	3,439,380	3,547,514	(108,134)	-3.0%	3,728,554
Net Position, End of Year	\$ 3,569,636	\$ 3,439,380	\$ 130,256	3.8%	\$ 3,547,514

Summary of Organization and Business

The Fire District Number One of the Township of Hillsborough (the "Fire District") is a political subdivision of the Township of Hillsborough, Somerset 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. and 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. The Fire District has three fire companies within its jurisdiction.

The Fire District 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.

Property Tax Levies

Following is a tabulation of Fire District assessed valuations, tax levies and property tax rates per \$100 of assessed valuations for the current and preceding four years:

<u>FISCAL YEAR</u>	<u>ASESSED VALUATIONS</u>	<u>TOTAL TAX LEVY</u>	<u>PROPERTY TAX RATES</u>
2014	\$5,581,450,026	\$1,764,526	\$.031
2013	\$5,552,933,316	\$1,706,673	\$.030
2012	\$5,591,588,483	\$1,677,477	\$.030
2011	\$3,871,048,731	\$1,619,410	\$.042
2010	\$3,836,745,331	\$1,573,065	\$.041

Contacting the District's Management

Any questions about the Fire District's report or if additional information is needed, please contact the Board of Fire Commissioners Fire District Number One, 379 South Branch Road, Hillsborough, New Jersey 08844.

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MAJOR FUNDS FINANCIAL STATEMENTS

BOARD OF FIRE COMMISSIONERS
FIRE DISTRICT OF THE TOWNSHIP OF HILLSBOROUGH

STATEMENTS OF NET POSITION
DECEMBER 31, 2015 AND 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Cash and Cash Equivalents	\$ 2,029,955	\$ 1,775,136
Vehicles and Equipment:		
Total Apparatus, Vehicles and Equipment	5,184,368	9,201,866
Less: Accumulated Depreciation	<u>(3,330,728)</u>	<u>(7,165,185)</u>
Net Vehicles and Equipment	<u>1,853,640</u>	<u>2,036,681</u>
<u>TOTAL ASSETS</u>	<u>\$ 3,883,595</u>	<u>\$ 3,811,817</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	<u>\$ 313,959</u>	<u>\$ 372,437</u>
Total Current Liabilities	<u>313,959</u>	<u>372,437</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	1,853,640	2,036,681
Restricted:		
Capital Projects Fund	1,250,121	1,127,962
Unrestricted	<u>465,875</u>	<u>274,737</u>
Total Net Position	<u>3,569,636</u>	<u>3,439,380</u>
<u>TOTAL LIABILITIES AND NET POSITION</u>	<u>\$ 3,883,595</u>	<u>\$ 3,811,817</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOARD OF FIRE COMMISSIONERS
FIRE DISTRICT OF THE TOWNSHIP OF HILLSBOROUGH

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

<u>FUNCTIONS</u>	<u>2015</u>	<u>2014</u>
Fire Protection:		
Contracts	\$ 70,600	\$ 70,600
Insurance	266,471	247,097
Salaries and Benefits	557,975	520,576
Administrative	524,424	488,500
Equipment and Supplies	357,827	474,264
Depreciation Expense	492,112	501,880
	<hr/>	<hr/>
Total Governmental Activities	2,269,409	2,302,917
	<hr/>	<hr/>
<u>GENERAL REVENUES</u>		
Property Tax	1,997,691	1,764,526
Contributions and Other Revenue	401,974	430,257
	<hr/>	<hr/>
Total General Revenues	2,399,665	2,194,783
	<hr/>	<hr/>
<u>CHANGE IN NET ASSETS</u>	130,256	(108,134)
Net Position - Beginning of Year	3,439,380	3,547,514
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Net Position - End of Year	\$ 3,569,636	\$ 3,439,380
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The accompanying Notes to the Financial Statements are an integral part of this statement.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

BOARD OF FIRE COMMISSIONERS
 FIRE DISTRICT OF THE TOWNSHIP OF HILLSBOROUGH

BALANCE SHEETS GOVERNMENTAL FUNDS
 DECEMBER 31, 2015 AND 2014

	GOVERNMENTAL FUND TYPES		TOTAL GOVERNMENTAL FUNDS	GOVERNMENTAL FUND TYPES		TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	CAPITAL PROJECTS FUND	2015	GENERAL FUND	CAPITAL PROJECTS FUND	2014
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 779,834	\$ 1,250,121	\$ 2,029,955	\$ 647,174	\$ 1,127,962	\$ 1,775,136
<u>TOTAL ASSETS</u>	<u>\$ 779,834</u>	<u>\$ 1,250,121</u>	<u>\$ 2,029,955</u>	<u>\$ 647,174</u>	<u>\$ 1,127,962</u>	<u>\$ 1,775,136</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>CURRENT LIABILITIES</u>						
Accounts Payable	\$ 313,959	\$	\$ 313,959	\$ 372,437	\$	\$ 372,437
Total Current Liabilities	313,959		313,959	372,437		372,437
<u>FUND BALANCES</u>						
Reserved for:						
Unreserved, Undesignated	465,875	1,250,121	1,715,996	274,737	1,127,962	1,402,699
Total Fund Balances	465,875	1,250,121	1,715,996	274,737	1,127,962	1,402,699
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 779,834</u>	<u>\$ 1,250,121</u>	<u>\$ 2,029,955</u>	<u>\$ 647,174</u>	<u>\$ 1,127,962</u>	<u>\$ 1,775,136</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOARD OF FIRE COMMISSIONERS
FIRE DISTRICT OF THE TOWNSHIP OF HILLSBOROUGH

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015		2014		TOTAL GOVERNMENTAL FUNDS
	GOVERNMENTAL FUND TYPES GENERAL FUND	CAPITAL PROJECTS FUND	GOVERNMENTAL FUND TYPES GENERAL FUND	CAPITAL PROJECTS FUND	
<u>REVENUES:</u>					
Local Sources:					
Property Tax	\$ 1,692,691	\$ 305,000	\$ 1,997,691	\$ 1,429,526	\$ 1,764,526
Contributions and Other Revenue	401,974		401,974	430,257	430,257
Total Revenues	<u>2,094,665</u>	<u>305,000</u>	<u>2,399,665</u>	<u>1,859,783</u>	<u>2,194,783</u>
<u>EXPENDITURES:</u>					
Fire Protection:					
Contracts	70,600		70,600	70,600	70,600
Insurance	266,471		266,471	247,097	247,097
Salaries and Benefits	557,975		557,975	520,576	520,576
Administrative	524,424		524,424	488,500	488,500
Equipment and Supplies	484,057	182,841	666,898	577,036	707,311
Total Expenditures	<u>1,903,527</u>	<u>182,841</u>	<u>2,086,368</u>	<u>1,903,809</u>	<u>2,034,084</u>
Net Change in Fund Balances	191,138	122,159	313,297	(44,026)	160,699
Fund Balances - Beginning of Year	274,737	1,127,962	1,402,699	318,763	1,242,000
Fund Balances - End of Year	<u>\$ 465,875</u>	<u>\$ 1,250,121</u>	<u>\$ 1,715,996</u>	<u>\$ 274,737</u>	<u>\$ 1,402,699</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOARD OF FIRE COMMISSIONERS
FIRE DISTRICT OF THE TOWNSHIP OF HILLSBOROUGH

RECONCILIATION OF THE STATEMENTS OF GOVERNMENTAL FUND BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENTS OF NET POSITION

DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Total Fund Balances - Governmental Funds (From Exhibit B-1)	\$ 1,715,996	\$ 1,402,699
Capital Assets used in governmental funds are not financial resources and, therefore, are not reported as assets in the governmental funds.		
Total Historical Cost of Capital Assets	5,184,368	9,201,866
Less: Accumulated Depreciation	<u>(3,330,728)</u>	<u>(7,165,185)</u>
Net Position (From Exhibit A-1)	<u>\$ 3,569,636</u>	<u>\$ 3,439,380</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOARD OF FIRE COMMISSIONERS
FIRE DISTRICT OF THE TOWNSHIP OF HILLSBOROUGH

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES

DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Net Change in Fund Balances - Total Governmental Funds (From Exhibit B-2)	\$ 313,297	\$ 160,699
Amounts reported for governmental activities in the Statement of Activities (from Exhibit A-2) are different as follows:		
<p style="margin-left: 40px;">Government funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these 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.</p>		
Current Year Capital Outlays	309,071	233,047
Less: Current Year Depreciation Expense	<u>(492,112)</u>	<u>(501,880)</u>
Change in Net Position of Governmental Activities (From Exhibit A-2)	<u>\$ 130,256</u>	<u>\$ (108,134)</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOARD OF FIRE COMMISSIONERS

FIRE DISTRICT NUMBER ONE OF THE TOWNSHIP OF HILLSBOROUGH

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NATURE OF ACTIVITIES

Fire District Number One of the Township of Hillsborough (the "Fire District") is a political subdivision of the Township of Hillsborough, Somerset County, New Jersey. It was formed through the adoption of a Township ordinance.

Fire Districts are governed by N.J.S.A. 40A:14-70 et al. and are organized as a taxing authority charged with the responsibility of providing the resources necessary to provide firefighting services to the residents within its territorial location. The Fire District has three fire companies within its jurisdiction.

The Fire District 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.

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.

The official accounting records, along with the supporting documentation, of the Fire District are maintained by the Treasurer.

Minutes are recorded for meetings and contain approvals for disbursements. The Fire District prepares a fiscal budget in accordance with applicable laws and regulations.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fire District have been prepared in conformity with U.S. 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 most significant of the GASB's accounting policies are described below.

Basis of Accounting-Measurement Focus

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Government-Wide Financial Statements: The Government-Wide Financial Statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. The Fire District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available.

BOARD OF FIRE COMMISSIONERS

FIRE DISTRICT NUMBER ONE OF THE TOWNSHIP OF HILLSBOROUGH

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting-Measurement Focus (Continued)

Governmental Funds Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transactions can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent that they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Basis of Presentation

The Fire District's financial statements include a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Governmental-Wide Financial Statements: The statement of net position presents the financial condition of the governmental activity of the Fire District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for the Fire District and for each function of the Fire District's governmental activities.

Fund Financial Statements: During the fiscal year, the Fire District segregates transactions related to certain Fire District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Fire District's funds. Separate statements for each fund category governmental are presented.

Governmental Funds

General Fund

The general fund is the general operating fund of the Fire District and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the capital outlay sub-fund.

BOARD OF FIRE COMMISSIONERS

FIRE DISTRICT NUMBER ONE OF THE TOWNSHIP OF HILLSBOROUGH

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds (Continued)

Capital Projects Funds

The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund

The debt service fund is used to account for all financial resources to be used for the payment of principal and interest on lease and loan payments.

Measurement Focus

Government-Wide Financial Statements: The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflow of resources, liabilities, and deferred inflows of resources associated with the operation of the Fire District are included on the statement of net position.

Fund Financial Statements: All government funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Budgetary Procedures

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 not 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 a 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.

BOARD OF FIRE COMMISSIONERS

FIRE DISTRICT NUMBER ONE OF THE TOWNSHIP OF HILLSBOROUGH

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Procedures (Continued)

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 District's general purpose financial statements.

Cash and Cash Equivalents

Cash equivalents are stated at cost which approximates market. The Fire District considers investments with maturities of three months or less to be cash equivalents.

Investments

The Fire District's investment policy principally permits the investing of funds in the following types of investments:

Bonds, debentures, notes or other evidences of indebtedness issued by any agency or instrumentality of the United States or by any corporation chartered by the United States to the extent that such obligations are guaranteed by the United States or by another such agency and Defeasance Securities.

Negotiable or nonnegotiable certificates of deposit issued by any bank, trust company, or national banking associations which certificates of deposits shall be continuously secured by obligations described in the first paragraph above.

Deposits in the NJ Cash Management Fund and other deposits defined in the Fire District's Bond Resolution.

Fixed Assets

Fixed Assets are stated at cost. Depreciation is determined on a straight-line basis over various economic lives, which are fixed by management.

Inventory

Inventory of spare parts and supplies is recorded as an expense when purchased and accordingly, is not included in the statements of net position.

BOARD OF FIRE COMMISSIONERS

FIRE DISTRICT NUMBER ONE OF THE TOWNSHIP OF HILLSBOROUGH

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fire District Taxes

Upon the 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 raised 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.

Income Tax Status

The Fire District qualifies as a tax-exempt organization and therefore, has no provision for federal income taxes.

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 amounts 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.

Net Position

Equity is classified as net position and displayed in three components:

- 1) Invested in Capital Assets - consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted - when constraints placed on net position are either a) externally imposed by creditors (such as the bond resolution), grantors, or laws or regulations of other governments or b) imposed by law.
- 3) Unrestricted - any other net position that does not meet the definition of "restricted" or "invested in capital assets."

BOARD OF FIRE COMMISSIONERS

FIRE DISTRICT NUMBER ONE OF THE TOWNSHIP OF HILLSBOROUGH

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

(2) CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents at December 31 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Checking and Money Market	\$1,755,131	\$1,601,375
Money Market Account - LOSAP	<u>274,824</u>	<u>173,761</u>
	<u>\$2,029,955</u>	<u>\$1,775,136</u>

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund (SAIF), or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund. New Jersey statutes permit the deposit of public funds only in banks which meet the requirements of the Governmental Unit Deposit Protection Act or the State of New Jersey Cash Management Fund. This Act, commonly referred to as "GUDPA", requires that banks which accept public funds to be a public depository. The statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Fire District does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2015, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk.

The Fire District does not have a policy to limit interest rate risk; however, its practice is to hold investments to maturity. There is also no limit to the amount that can be invested.

(3) CHANGES IN FIXED ASSETS

Activity for general fixed assets capitalized by the Fire District at December 31, 2015, is as follows:

	<u>Balance 2014</u>	<u>Additions (Deletions)</u>	<u>Balance 2015</u>
Vehicles and Equipment	\$9,201,866	\$(4,017,498)	\$5,184,368
Less: Accumulated Depreciation	<u>7,165,185</u>	<u>3,834,457</u>	<u>3,330,728</u>
Net Fixed Assets	<u>\$2,036,681</u>	<u>\$ (183,041)</u>	<u>\$1,853,640</u>

BOARD OF FIRE COMMISSIONERS

FIRE DISTRICT NUMBER ONE OF THE TOWNSHIP OF HILLSBOROUGH

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

(4) PROPERTY TAX LEVIES

Following is a tabulation of Fire District assessed valuations, tax levies and property tax rates per \$100 of assessed valuations for the current and preceding four years:

<u>FISCAL YEAR</u>	<u>ASESSED VALUATIONS</u>	<u>TOTAL TAX LEVY</u>	<u>PROPERTY TAX RATES</u>
2015	\$5,460,241,157	\$1,997,691	\$.033
2014	\$5,581,450,026	\$1,764,526	\$.031
2013	\$5,552,933,316	\$1,706,673	\$.030
2012	\$5,591,588,483	\$1,677,477	\$.030
2011	\$3,871,048,731	\$1,619,410	\$.042

(5) RISK MANAGEMENT

The Fire District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Fire District maintains commercial insurance coverage covering each of those risks of loss. The administration believes such coverage is sufficient to preclude any significant uninsured losses to the Fire District. Settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

(6) FINANCIAL DEPENDENCY

The Fire District's largest source of operating revenue is Property Tax Levies from the Township of Hillsborough. The Fire District is economically dependent on these Levies to carry on its operations.

(7) LENGTH OF SERVICE AWARD PROGRAM

On January 18, 1998, the Emergency Services Volunteer Length of Service Award Program (LOSAP) was signed into law. LOSAP is a system established to provide tax deferred income benefits to active volunteer members of an emergency service organization, including all forms of volunteer fire and first aid rescue squads. The tax-deferred income benefits come from contributions made solely by the Fire District. The contributions are deposited into a plan similar to the deferred contribution plans permitted for county and municipal employees (N.J.S.A. 43:15B-1 et seq.).

The LOSAP expense was \$115,900 and \$131,882 for the years ending December 31, 2015 and 2014, respectively.

BOARD OF FIRE COMMISSIONERS

FIRE DISTRICT NUMBER ONE OF THE TOWNSHIP OF HILLSBOROUGH

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

(8) SUBSEQUENT EVENTS

The Fire District has evaluated subsequent events occurring after the financial statement date through September 16, 2016, which is the date the financial statements were available to be issued. Based on this evaluation, the Fire District has determined that no subsequent events have occurred which require disclosure in the financial statements.

(9) LITIGATION, CLAIMS AND CONTINGENT LIABILITIES

In the ordinary conduct of its business, the Fire District may be a party to litigation. At December 31, 2015, in the opinion of management based upon consultation with legal counsel, there were no matters pending or threatened which would have a material adverse effect on the financial position of the Fire District.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

BOARD OF FIRE COMMISSIONERS
FIRE DISTRICT OF THE TOWNSHIP OF HILLSBOROUGH

BUDGETARY COMPARISON SCHEDULE
REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE/ (UNFAVORABLE)</u>
Revenues:			
Fund Balance Utilized	\$ 324,562	\$ -	\$
Property Tax	1,997,669	1,997,691	22
Smoke Detector Certifications	37,500	50,065	12,565
State Registration Fees	47,000	57,301	10,301
Local Fees and Permits	93,800	118,339	24,539
Interest	3,300	2,640	(660)
New Jersey State Fire Service Grant	11,317	11,317	
Hillsborough Promenade	25,000		(25,000)
Other		162,312	162,312
	<hr/>	<hr/>	<hr/>
Total Revenues	2,540,148	2,399,665	184,079
Expenditures:			
Operating Appropriations:			
Administration			
Salary and Wages	15,000	15,000	
Elections	4,000	1,938	2,062
Insurance and Bonds	285,000	266,470	18,530
Office Expenses/Administration	30,000	28,075	1,925
Professional Services	12,500	9,532	2,968
Uniform Fire Safety Act	603,625	603,015	610
Radio's and Pagers	15,000	3,883	11,117
Reimbursement for Firefighter Expenses	50,000	33,297	16,703
Contingent Expenses	45,000	5,739	39,261
	<hr/>	<hr/>	<hr/>
	1,060,125	966,949	93,176
Cost of Operations and Maintenance			
Maintenance and Repairs	205,000	235,794	(30,794)
Membership/Dues	27,000	18,786	8,214
Professional Services	30,000	24,047	5,953
Supplies/Fuel	80,000	67,962	12,038
Training and Education	53,200	27,271	25,929
New Jersey State Fire Service Grant	11,317	14,271	(2,954)
Apparatus Housing	183,906	183,906	
Neshanic Contract	70,600	70,600	
Recruitment and Retention	20,000	11,199	8,801
New Equipment Non-Capital	128,000	166,843	(38,843)
New Equipment Capital	205,000	182,841	22,159
	<hr/>	<hr/>	<hr/>
	1,014,023	1,003,520	10,503
LOSAP	161,000	115,900	45,100
Future Capital Funds:			
Reserve	305,000	305,000	
	<hr/>	<hr/>	<hr/>
Total Expenditures	2,540,148	2,391,369	148,779
Excess/(Deficit) of Revenues Over Expenditures	<u>\$</u>	<u>\$ 8,296</u>	<u>\$ 332,858</u>

BOARD OF FIRE COMMISSIONERS

FIRE DISTRICT NUMBER ONE OF THE TOWNSHIP OF HILLSBOROUGH

DECEMBER 31, 2015 AND 2014

GENERAL COMMENTS AND RECOMMENDATIONS

NONE

