

TOWNSHIP OF HADDON FIRE DISTRICT No. 1

**WESTMONT, NEW JERSEY
CAMDEN COUNTY**



**REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2016**

**FIRE DISTRICT NO. 1
TOWNSHIP OF HADDON, NEW JERSEY**

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TOWNSHIP OF HADDON, NEW JERSEY**

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FIRE DISTRICT NO. 1
TOWNSHIP OF HADDON, NEW JERSEY
Roster of Officials and Surety Bonds

Board of Commissioners

<u>Name</u>	<u>Title</u>	<u>Amount of Surety Bond</u>
Henry E. Voigtberger	Chairman	(A)
Franklin P. Jackson, V	Vice Chairman	(A)
William G. Tessing, III	Treasurer	(A)
Franklin P. Jackson, IV	Secretary	(A)
William G. Tessing, IV	Commissioner	(A)

(A) FIRST Responders Joint Insurance Fund provides blanket employee dishonesty coverage in the amount of \$1,000,000.00.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District No. 1
Township of Haddon
Westmont, New Jersey 08108

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of the Township of Haddon Fire District No. 1, in the County of Camden, State of New Jersey, as of and for the year ended December 31, 2016, 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; 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 requirements as prescribed by the Bureau of Authority Regulation, 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 Fire District'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 Fire District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, and the aggregate remaining fund information of the Township of Haddon Fire District No. 1, in the County of Camden, State of New Jersey, as of December 31, 2016, 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*Length of Service Awards Program*

As discussed in note 17 to the financial statements, during the year ended December 31, 2016, the Fire District has reported its length of service awards program in the fiduciary fund as a private-purpose trust fund. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the Fire District's proportionate share of the net pension liability, schedule of the Fire District's contributions and schedule of funding progress for dental benefits plan, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2017 on our consideration of the Township of Haddon Fire District No. 1'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 Township of Haddon Fire District No. 1's internal control over financial reporting and compliance.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
May 30, 2017

**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**

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District No. 1
Township of Haddon
Westmont, New Jersey 08108

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of the Township of Haddon Fire District No. 1, in the County of Camden, State of New Jersey, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements, and have issued our report thereon dated May 30, 2017. Our report on the financial statements included an emphasis of matter paragraph describing the inclusion of the length of service awards program as a fiduciary fund (private-purpose trust fund).

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township of Haddon Fire District 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 the Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Haddon Fire District 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Haddon Fire District No. 1'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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, and which is described in the accompanying *Schedule of Findings and Recommendations*, as finding no: 2016-001.

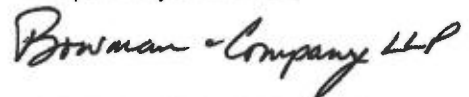
The Township of Haddon Fire District No. 1's Response to the Finding

The Township of Haddon Fire District No. 1's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Recommendations*. The Fire District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, in considering the Fire District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
May 30, 2017

REQUIRED SUPPLEMENTARY INFORMATION
PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1

Management's Discussion and Analysis For the Year Ended December 31, 2016 (Unaudited)

As management of the Township of Haddon Fire District No. 1, we offer readers of the Fire District's financial statements this narrative overview and analysis of the financial activities of the Fire District for the year ended December 31, 2016. The intent of this discussion and analysis is to look at Fire District's financial performance as a whole; readers should also review the information furnished in the notes to the basic financial statements and financial statements to enhance their understanding of the Fire District's financial performance.

Financial Highlights

- The assets and deferred outflows of resources of the Fire District exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$1,481,030.03 (net position).
- As of the close of the current year, the Fire District's governmental funds reported combined ending fund balances of \$960,060.49.
- At the end of the current year, unassigned fund balance for the general fund was \$565,521.49, approximately a 4.45% decrease from that of the prior year.

Overview of the Financial Statements

The financial section of the annual report consists of three parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), and the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Fire District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Fire District's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Fire District is improving or deteriorating.

The Statement of Activities presents information showing how the Fire District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., earned but unused sick leave).

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited) (Cont'd)

Overview of the Financial Statements (cont'd)

Both of the government-wide financial statements distinguish functions of the Fire District that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Fire District include fire-fighting and emergency medical services, which are provided to the citizens of the Township of Haddon.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Fire District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Fire District maintains two fund types, governmental and fiduciary.

Governmental Funds. The operational activities of the Fire District are reported in the governmental funds which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Fire District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance fire-fighting and emergency medical services operations.

The Fire District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special revenue fund, capital projects fund, and debt service fund.

The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Also, the Fire District adopts an annual budget in accordance with N.J.S.A. 40A:14-78.3. Budgetary comparison schedules have been provided to demonstrate compliance with the budget.

Fiduciary Funds. The fiduciary fund is used to account for assets held by the Fire District on behalf of outside related organizations or on behalf of other funds within the Fire District. The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

The Fire District maintains a private-purpose trust fund, which is a fund used to account for the principal and income for trust arrangements that benefit individuals, private organizations, or other governments. The Fire District's private-purpose trust fund is for its length of service awards program, which is a program established to provide length of service awards in the amounts and at the time determined under the Plan to such volunteers within the Fire District in recognition of their long-term volunteer service. Readers should refer to note 17 of the notes to financial statements for additional information on the Fire District's length of service awards program.

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

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1

Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited) (Cont'd)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Fire District, assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$1,481,030.03 at the close of the most recent year.

The largest portion of the Fire District's net position (68.6 percent) reflects its investment in capital assets (i.e., land, buildings, equipment); less any related debt used to acquire those assets that is still outstanding. The Fire District uses these assets to provide fire-fighting and emergency medical services to the citizens of the Township of Haddon; consequently, these assets are not available for future spending. Although the Fire District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1'S NET POSITION		
DECEMBER 31,		
	<u>2016</u>	<u>2015</u>
Current and Other Assets	\$ 1,057,752.04	\$ 946,732.44
Capital Assets	<u>1,015,908.35</u>	<u>919,274.91</u>
Total Assets	<u>2,073,660.39</u>	<u>1,866,007.35</u>
Deferred Outflows	<u>329,575.00</u>	<u>76,898.00</u>
Long-term Liabilities Outstanding	783,634.17	443,376.03
Other Liabilities	<u>134,293.19</u>	<u>112,757.28</u>
Total Liabilities	<u>917,927.36</u>	<u>556,133.31</u>
Deferred Inflows	<u>4,278.00</u>	<u>11,045.00</u>
Net Position:		
Net Investment in Capital Assets	1,015,908.35	919,274.91
Restricted	250,000.00	
Unrestricted	<u>215,121.68</u>	<u>456,452.13</u>
Total Net Position	<u><u>\$ 1,481,030.03</u></u>	<u><u>\$ 1,375,727.04</u></u>

In total, assets of governmental activities increased by \$207,653.04 primarily due to general operations of the Fire District.

Governmental Activities. The Statement of Activities shows the cost of the governmental activities' program services and the charges for services and grants offsetting those services. Key elements of the increase in governmental activities are as follows:

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited) (Cont'd)

Government-wide Financial Analysis (cont'd)

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1'S STATEMENT OF ACTIVITIES		
FOR THE YEARS ENDED DECEMBER 31,		
	<u>2016</u>	<u>2015</u>
Expenses:		
Operating Appropriations:		
Administration	\$ 171,293.10	\$ 159,019.41
Cost of Operations and Maintenance	1,338,767.02	1,206,625.12
Operating Appropriations Offset with Revenues	4,847.00	3,337.00
Length of Service Awards Program	41,250.00	16,474.07
Total Program Expenses	<u>1,556,157.12</u>	<u>1,385,455.60</u>
Program Revenues:		
Operating Grants and Contributions	95,000.00	8,497.00
Capital Grants and Contributions	235,752.00	
Net Program Expenses	<u>1,225,405.12</u>	<u>1,376,958.60</u>
General Revenues		
Taxes:		
Property Taxes, Levied for General Purposes	1,326,818.00	1,266,027.00
Unrestricted Miscellaneous Income	3,890.11	5,365.29
Total General Revenues	<u>1,330,708.11</u>	<u>1,271,392.29</u>
Change in Net Position	105,302.99	(105,566.31)
Net Position, January 1	<u>1,375,727.04</u>	<u>1,481,293.35</u>
Net Position, December 31	<u><u>\$ 1,481,030.03</u></u>	<u><u>\$ 1,375,727.04</u></u>

Property taxes constituted 79.9% of revenues for governmental activities for the Fire District for the year 2016.

Cost of operations and maintenance comprises 86.0% of Fire District expenses, with administration comprising 11.0% of total expenses. The remainder of 3.0% is for Operating Appropriations Offset with Revenues and the Length of Service Awards Program.

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited) (Cont'd)

Financial Analysis of the Government's Funds

As stated earlier, the Fire District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund. The focus of the Fire District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Fire District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the Fire District's governmental funds reported combining ending fund balances of \$960,060.49. Of this fund balance, \$144,539.00 is assigned for the subsequent year general fund budget, \$250,000.00 is restricted for future capital outlay, and \$565,521.49 is unassigned in the general fund. The general fund is the main operating fund of the Fire District.

There was an increase in the Fire District's general fund balance of \$106,919.54 during the current year. Key factors in this increase are as follows:

- The Fire District budgeted for the lease of a new fire truck, however elected to wait until 2017 before making the commitment.

There is no fund balance in the Special Revenue Fund, Capital Projects Fund or Debt Service Fund which is the same as the prior year.

General Fund Budgetary Highlights

During the course of the 2016 year, the Fire District modified its general fund budget in accordance with statute. There was no net change in the total budget.

The final budgetary basis revenue estimate was \$1,326,818.00. There is no change over the original budgeted estimate.

During the year 2016, the Fire District budgeted \$1,326,818.00 for property taxes (local tax levy).

The final budgetary basis expenditure appropriation estimate was \$1,560,213.00 which is the same as the original estimate after budget line-item transfers.

Capital Asset and Debt Administration

Capital Assets. The Fire District's investment in capital assets for its governmental activities as of December 31, 2016 amounts to \$1,015,908.35 (net of accumulated depreciation). This investment in capital assets includes vehicles and various types of equipment. The increase in the Fire District's investment in capital assets (net of accumulated depreciation) is attributed to the purchase of SCBA air packs.

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2016
(Unaudited) (Cont'd)

Capital Asset and Debt Administration (cont'd)

At the end of the 2016 year, the Fire District had \$3,129,750.18 invested in vehicles and various types of equipment prior to the reduction for accumulated depreciation.

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1'S CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION) DECEMBER 31,		
	<u>2016</u>	<u>2015</u>
Apparatus / Vehicles / Ambulances	\$ 715,663.55	\$ 831,006.25
Fire Equipment	<u>300,244.80</u>	<u>88,268.66</u>
Total	<u><u>\$ 1,015,908.35</u></u>	<u><u>\$ 919,274.91</u></u>

Additional information on the Fire District's capital assets can be found in note 5.

Economic Factors and Next Year's Budget

For the 2016 year, the Fire District was able to sustain its budget through the fire district tax levy, state aid, and miscellaneous revenue sources. Approximately 99.7 percent of total revenue is from local tax levy and 0.3 percent of the Fire District's revenue is miscellaneous or from state and local aid. The 2017 budget was adopted January 12, 2017 by the Commissioners, and the voters subsequently approved the budget at the annual fire district election.

Requests for Information

This financial report is designed to provide a general overview of the Fire District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to William G. Tessing III, Treasurer at the Township of Haddon Fire District No. 1, Haddon and Walnut Avenues, Westmont, New Jersey 08108, or e-mail at FFirehose@bfc.org.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1
Statement of Net Position
December 31, 2016

ASSETS:

Cash and Cash Equivalents	\$ 802,296.39
Restricted Assets:	
Restricted Cash and Cash Equivalents	250,000.00
Prepaid Expenses	5,455.65
Capital Assets, net (Note 5)	<u>1,015,908.35</u>
Total Assets	<u>2,073,660.39</u>

DEFERRED OUTFLOWS OF RESOURCES:

Related to Pensions (Note 8)	<u>329,575.00</u>
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LIABILITIES:

Accounts Payable:	
Other	50,985.90
Length of Service Awards Program	41,250.00
Pensions	27,495.00
Accrued Liabilities:	
Pensions	13,748.00
Noncurrent Liabilities (Note 6):	
Due within One Year	814.29
Due beyond One Year	<u>783,634.17</u>
Total Liabilities	<u>917,927.36</u>

DEFERRED INFLOWS OF RESOURCES

Related to Pensions (Note 8)	<u>4,278.00</u>
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NET POSITION:

Net Investment in Capital Assets	1,015,908.35
Restricted For:	
Capital Projects	250,000.00
Unrestricted	<u>215,121.68</u>
Total Net Position	<u>\$ 1,481,030.03</u>

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

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1

Statement of Activities
For the Year Ended December 31, 2016

Expenses:

Operating Appropriations:

Administration	\$ 171,293.10
Cost of Operations and Maintenance	1,338,767.02
Operating Appropriations Offset with Revenues	4,847.00
Length of Service Awards Program	<u>41,250.00</u>

Total Program Expenses

1,556,157.12

Program Revenues:

Operating Grants and Contributions	95,000.00
Capital Grants and Contributions	<u>235,752.00</u>

Net Program Expenses

1,225,405.12

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes	1,326,818.00
Unrestricted Miscellaneous Income	<u>3,890.11</u>

Total General Revenues

1,330,708.11

Change in Net Position

105,302.99

Net Position, January 1

1,375,727.04

Net Position, December 31

\$ 1,481,030.03

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

FUND FINANCIAL STATEMENTS

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1

Balance Sheet
Governmental Funds
December 31, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and Cash Equivalents	\$ 1,052,296.39				\$ 1,052,296.39
Total Assets	<u>\$ 1,052,296.39</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 1,052,296.39</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 50,985.90				\$ 50,985.90
Interfund Accounts Payable:					
Fiduciary Fund	<u>41,250.00</u>				<u>41,250.00</u>
Total Liabilities	<u>92,235.90</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,235.90</u>
Fund Balances:					
Restricted:					
Capital Projects (Future Capital Outlay)	250,000.00				250,000.00
Assigned:					
Designated for:					
Subsequent Year's Expenditures	144,539.00				144,539.00
Unassigned	<u>565,521.49</u>				<u>565,521.49</u>
Total Fund Balances	<u>960,060.49</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>960,060.49</u>
Total Liabilities and Fund Balances	<u>\$ 1,052,296.39</u>	<u>-</u>	<u>-</u>	<u>-</u>	

(Continued)

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1

Balance Sheet
Governmental Funds
December 31, 2016

	Total Governmental <u>Funds</u>
Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:	
Payments made to vendors for services that will benefit periods beyond year end that are recorded as expenditures at the time of payment in the governmental funds.	\$ 5,455.65
Deferred outflows and deferred inflows related to pensions represent the consumption and acquisition, respectively, of resources that relate to future periods; therefore, such amounts are not reported in the fund financial statements.	325,297.00
Accounts payable and accrued expenses related to pensions are not liquidated with current financial resources; therefore, such amounts are not recorded in the fund financial statements.	(41,243.00)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$3,129,750.18, and the accumulated depreciation is \$2,113,841.83.	1,015,908.35
Long-term liabilities, including compensated absences and pensions, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(784,448.46)</u>
Net position of governmental activities	<u>\$ 1,481,030.03</u>

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

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES:					
Amount to be Raised by Taxation to Support the District Budget	\$ 1,326,818.00				\$ 1,326,818.00
Non-Budgetary Revenues	3,890.11				3,890.11
Operating Grant Revenues		\$ 325,905.00			325,905.00
Total Revenues	<u>1,330,708.11</u>	<u>325,905.00</u>	<u>-</u>	<u>-</u>	<u>1,656,613.11</u>
EXPENDITURES:					
Operating Appropriations:					
Administration	172,397.70				172,397.70
Cost of Operations and Maintenance	1,010,140.87	90,153.00			1,100,293.87
Length of Service Awards Program	41,250.00				41,250.00
Capital Expenditures		235,752.00			235,752.00
Total Expenditures	<u>1,223,788.57</u>	<u>325,905.00</u>	<u>-</u>	<u>-</u>	<u>1,549,693.57</u>
Excess (Deficiency) of Revenues over Expenditures	<u>106,919.54</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,919.54</u>
Net Change in Fund Balances	106,919.54	-	-	-	106,919.54
Fund Balance, January 1	<u>853,140.95</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>853,140.95</u>
Fund Balance, December 31	<u><u>\$ 960,060.49</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>\$ 960,060.49</u></u>

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

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1
 Fiduciary Fund
 Private-Purpose Trust Fund
 Statement of Changes in Fiduciary Fund Net Position
 For the Year Ended December 31, 2016

	Length of Service Awards Program
ADDITIONS:	
Contributions:	
Fire District's Contributions	\$ 41,250.00
Investment Earnings:	
Net Increase (Decrease) in the Fair Value of Investments	14,341.01
Net Investment Earnings	14,341.01
Total Additions	55,591.01
DEDUCTIONS:	
Benefits Paid to Participants	51,525.01
Total Deductions	51,525.01
Change in Net Position	4,066.00
Net Position, Beginning	433,381.34
Net Position, Ending	\$ 437,447.34

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1
Notes to Financial Statements
For the Year Ended December 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of Haddon Fire District No. 1 (the "Fire District") have been prepared to conform with accounting principles generally accepted in the United States of America ("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 following is a summary of the more significant of these policies.

Description of the Financial Reporting Entity

The Fire District is a political subdivision of the Township of Haddon (the "Township"), Camden County, New Jersey. The Township is comprised of an area of approximately 2.791 square miles. It is bounded by Cherry Hill to the north, Audubon Park, Camden, Collingswood, Gloucester City and Oaklyn to the west, Mount Ephraim to the south and Haddonfield on the east. As of the 2010 United States Census, the Township's population was 14,707. The Fire District was formed in January of 1956 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 firefighting and emergency medical services to the residents within its territorial location. The Fire District has one fire company within its jurisdiction, the Westmont Landing Fire Company.

The primary criterion for including activities within the Fire District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board *Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the Fire District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Fire District over which the Board of Commissioners exercises operating control.

Component Units

In evaluating how to define the Fire District for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Component Units (Cont'd)**

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Fire District has no component units.

Government-wide and Fund Financial Statements

The Fire District's basic financial statements consist of government-wide statements, and fund financial statements which provide a more detailed level of financial information.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. The Fire District's operations consist of governmental activities, which normally are supported by property taxes and intergovernmental revenues. The Fire District has no business-type activities, which rely to a significant extent on fees and charges for support. If the Fire District had business-type activities, such activities would be reported separately from governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. It is the policy of the Fire District to not allocate indirect expenses to functions in the statement of activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

In regards to the fund financial statements, the Fire District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements report detailed information about the Fire District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a single column. Fiduciary funds are reported by fund type.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property taxes (ad valorem) are recognized as revenues in the year for which they are levied, as under New Jersey State Statute, a municipality is required to remit to its fire district the entire balance of taxes in the amount voted upon or certified, prior to the end of the fire district year. The Fire District records the entire approved tax levy as revenue (accrued) at the start of the year since the revenue is both measurable and available. The Fire District is entitled to receive moneys under the following established payment schedule: on or before April 1, an amount equaling 21.25% of all moneys assessed; on or before July 1, an amount equaling 22.5% of all moneys assessed; on or before October 1, an amount equaling 25% of all moneys assessed; and on or before December 31, an amount equaling the difference between the total of all moneys so assessed and the total amount of moneys previously paid over.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are deemed both available and measurable. Available means when revenues are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire District considers revenues to be available if they are collected within sixty (60) days of the end of the current year. Measurable means that the amount of revenue can be determined. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, reimbursable-type grants, and interest associated with the current year are all considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenue items are considered to be measurable and available only when cash is received by the Fire District.

The Fire District reports the following major governmental funds:

General Fund - The general fund is the primary operating fund of the Fire District. It is used to account for all financial resources except those required to be accounted for in another fund. 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.

Special Revenue Fund - The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Projects Fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The financial resources are derived from temporary notes and general obligation bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

In addition to governmental funds, the Fire District also reports a fiduciary fund. Fiduciary funds are used to account for assets held by the Fire District on behalf of outside related organizations or on behalf of other funds within the Fire District. The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

The Fire District maintains a private-purpose trust fund, which is a fund used to account for the principal and income for trust arrangements that benefit individuals, private organizations, or other governments. The Fire District's private-purpose trust fund is for its length of service awards program, which is a program established to provide length of service awards in the amounts and at the time determined under the Plan to such volunteers within the Fire District in recognition of their long-term volunteer service.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

Budgets / Budgetary Control

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 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, except for provisions allowed by N.J.S.A. 40A:14-78.5.

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.

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

The accounting records of the special revenue fund are maintained on the budgetary basis. The budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The budget, as detailed on exhibit C-1 and exhibit C-2, includes all amendments and modifications to the adopted budget as approved by the Board of Commissioners.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule, to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances - governmental funds. Note that the Fire District does not report encumbrances outstanding at year end as expenditures in the general fund since the general fund budget follows modified accrual basis of accounting.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to assign a portion of the applicable appropriation, is utilized for budgetary control purposes. Encumbrances are a component of fund balance at year-end as they do not constitute expenditures or liabilities, but rather commitments related to unperformed contracts for goods and services. Open encumbrances in the governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Encumbrances (Cont'd)**

Open encumbrances in the special revenue fund, however, for which the Fire District has received advances of grant awards, are reflected on the balance sheet as unearned revenues at year-end.

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

Cash, Cash Equivalents and Investments

Cash and cash equivalents, for all funds, include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey fire districts are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 40A:5-15.1 provides a list of permissible investments that may be purchased by New Jersey fire districts.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Inventories

Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in the governmental fund financial statements is recorded as expenditures when purchased rather than when consumed.

Inventories recorded on the government-wide financial statements are recorded as expenses when consumed rather than when purchased. The Fire District did not have any inventory for the year ended December 31, 2016.

Prepaid Expenses

Prepaid expenses recorded on the government-wide financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2016.

Short-Term Interfund Receivables / Payables

Short-term interfund receivables / payables (internal balances) represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund within the Fire District, and that are due within one year. Such balances are eliminated in the statement of net position to minimize the grossing up of internal balances.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Capital Assets**

Capital assets represent the cumulative amount of capital assets owned by the Fire District. Purchased capital assets are recorded as expenditures in the governmental fund financial statements and are capitalized at cost on the government-wide statement of net position. In the case of gifts or contributions, such capital assets are recorded at acquisition value at the time received.

The Fire District's capitalization threshold is \$5,000.00. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets, except land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Apparatus / Vehicles / Ambulances	5 - 10 Years
Fire Equipment	5 - 20 Years

The Fire District does not possess any infrastructure assets.

Deferred Outflows and Deferred Inflows of Resources

The statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Fire District is required to report the following as deferred outflows of resources and deferred inflows of resources:

Defined Benefit Pension Plans - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Fire District's proportion of expenses and liabilities to the pension as a whole, differences between the Fire District's pension contribution and its proportionate share of contributions, and the Fire District's pension contributions subsequent to the pension valuation measurement date.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measurable and the Fire District is eligible to realize the revenue.

Compensated Absences

Compensated absences are payments to employees for accumulated time such as paid vacation, paid holidays, sick pay, and sabbatical leave. A liability for compensated absences that is attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Fire District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Fire District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Compensated Absences (Cont'd)**

The Fire District uses the vesting method to calculate the compensated absences amount. The entire compensated absence liability, including the employer's share of applicable taxes, is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. Expenditures are recognized in the governmental funds as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government wide presentations.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the governmental fund financial statements when due.

Pensions

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

Net Position

Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into 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 the 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 Fire 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.

The Fire District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Fund Balance**

The Fire District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the Fire District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Fire District's classifications, and policies for determining such classifications, are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Fire District's highest level of decision-making authority, which, for the Fire District, is the Board of Fire Commissioners. Such formal action consists of an affirmative vote by the Board of Fire Commissioners, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Fire Commissioners removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - The assigned fund balance classification includes amounts that are constrained by the Fire District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by either the Board of Fire Commissioners or by the business manager, to which the Board of Fire Commissioners has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business manager is established by way of a formal job description for the position, approved by the Board of Fire Commissioners.

Unassigned - The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the Fire District to spend restricted fund balances first. Moreover, when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the Fire District to spend fund balances, if appropriate, in the following order: committed, assigned, and then unassigned.

Interfund Activity

Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources / uses in governmental funds. Reimbursements from funds responsible for particular expenditures / expenses to the funds that initially paid for them are not presented on the financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Accounting Estimates**

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

Impact of Recently Issued Accounting Principles**Recently Issued and Adopted Accounting Pronouncements**

The Fire District implemented the following GASB Statements for the year ended December 31, 2016:

Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The adoption of this Statement had no impact on the basic financial statements of the Fire District.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The adoption of this Statement had no impact on the basic financial statements of the Fire District.

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements during the year ended December 31, 2016 that will become effective for the Fire District in future years as shown below:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement will become effective for the Fire District in the year ending December 31, 2018. Management has determined that this Statement will have an impact on the basic financial statements of the Fire District.

Statement No. 82, *Pension Issues and amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Statement will become effective for the Fire District in the year ending December 31, 2017. Management has determined that this Statement will not have an impact on the basic financial statements of the Fire District.

Note 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Fire District's deposits might not be recovered. Although the Fire District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation ("FDIC"). Public funds owned by the Fire District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings or funds that may pass to the Fire District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized.

As of December 31, 2016, the Fire District's bank balances of \$1,079,629.70 were not exposed to custodial credit risk because the balances were all insured.

Note 3: PROPERTY TAX LEVIES

Following is a tabulation of Fire District assessed valuations, tax levies, and property tax rates per \$100.00 of assessed valuations for the current and preceding four years:

<u>Year</u>	<u>Assessed Valuation</u>	<u>Total Tax Levy</u>	<u>Tax Rate</u>
2016	\$ 964,449,826.00	\$ 1,326,819.00	\$.138
2015	965,089,190.00	1,266,027.00	.132
2014	966,533,200.00	1,266,158.49	.131
2013	966,114,795.00	1,221,569.00	.127
2012	967,067,916.00	1,089,685.00	.113

Note 4: ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2016 consisted of amounts owed to the fiduciary fund for the Length of Service Award Program.

Accounts receivable as of year-end for the Fire District's individual major funds and fiduciary funds, in the aggregate, is as follows:

	<u>Governmental Fund Types</u>				
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Activities</u>
Interfund Accounts Receivable:					
LOSAP Contributions					\$ 41,250.00
Total	-	-	-	-	\$ 41,250.00

Note 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 is as follows:

	<u>Balance Jan. 1, 2016</u>	<u>Increases</u>	<u>Transfers</u>	<u>Decreases</u>	<u>Balance Dec. 31, 2016</u>
Capital Assets that are being Depreciated:					
Apparatus / Vehicles / Ambulances	\$ 2,678,022.09				\$ 2,678,022.09
Fire Equipment	215,976.09	\$ 235,752.00			451,728.09
Total Capital Assets being Depreciated	2,893,998.18	235,752.00	-	-	3,129,750.18
Total Capital Assets, Cost	2,893,998.18	235,752.00			3,129,750.18
Less Accumulated Depreciation for:					
Apparatus / Vehicles / Ambulances	(1,847,015.84)	(115,342.70)			(1,962,358.54)
Fire Equipment	(127,707.43)	(23,775.86)			(151,483.29)
Total Accumulated Depreciation	(1,974,723.27)	(139,118.56) *	-	-	(2,113,841.83)
Total Capital Assets being Depreciated, Net of Accumulated Depreciation	919,274.91	96,633.44	-	-	1,015,908.35
Capital Assets, Net	\$ 919,274.91	\$ 96,633.44	-	-	\$ 1,015,908.35

* Depreciation expense was charged to governmental functions as follows:

Cost of Operations and Maintenance	<u>\$ 139,118.56</u>
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Note 6: LONG-TERM LIABILITIES

During the year ended December 31, 2016, the following changes occurred in long-term obligations for governmental activities:

	<u>Balance Jan. 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Dec. 31, 2016</u>	<u>Due within One Year</u>
Compensated Absences	\$ 7,216.00	\$ 8,900.46	\$ (7,973.54)	\$ 8,142.92	\$ 814.29
Net Pension Liability	391,477.00	479,498.50	(145,462.50)	725,513.00	
Postemployment Benefits (note 9)	44,683.03	6,109.52		50,792.55	
Governmental Activity Long-Term Liabilities	<u>\$ 443,376.03</u>	<u>\$ 494,508.48</u>	<u>\$ (153,436.04)</u>	<u>\$ 784,448.47</u>	<u>\$ 814.29</u>

Bonds Authorized but not Issued - As of December 31, 2016, the Fire District had no authorizations to issue additional debt.

Compensated Absences - Compensated absences will be paid from the fund from which the employees' salaries are paid. Refer to note 11 for a description of the Fire District's policy.

Net Pension Liability - For details on the net pension liability, refer to note 8. The Fire District's annual required contribution to the Public Employees' Retirement System and the Police and Firemen's Retirement System is budgeted and paid from the general fund on an annual basis.

Note 7: OPERATING LEASES

At December 31, 2016, the Fire District had operating lease agreements in effect for a copy machine and housing of fire apparatus and office space with Westmont Fire Company. The present value of the future minimum rental payments under the operating lease agreements are as follows:

<u>Year Ending Dec. 31,</u>	<u>Amount</u>
2017	\$ 97,083.80
2018	2,083.80
2019	2,083.80
2020	2,083.80
2021	1,736.50
Total	<u>\$ 105,071.70</u>

Rental payments under operating leases for the year ended December 31, 2016 were \$95,347.30.

Note 8: PENSION PLANS

A substantial number of the Fire District's employees participate in one of the following defined benefit pension plans: the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS"), which are administered by the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<http://www.nj.gov/treasury/pensions>

General Information about the Pension Plans**Plan Descriptions**

Public Employees' Retirement System - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Fire District, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

Police and Firemen's Retirement System - The Police and Firemen's Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A. The PFRS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PFRS is mandatory for substantially all full-time police and firemen of the Fire District. The PFRS's Board of Trustees is primarily responsible for the administration of the PFRS.

Note 8: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions**

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The 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 the PERS.

The following represents the membership tiers for PERS:

Tier Definition

- 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 21, 2010
- 4 Members who were eligible to enroll after May 21, 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.

Police and Firemen's Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:16A. The PFRS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except disability benefits, which vest after four years of service.

The following represents the membership tiers for PFRS:

Tier Definition

- 1 Members who were enrolled prior to May 22, 2010
- 2 Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
- 3 Members who were eligible to enroll on or after June 28, 2011

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

Note 8: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Contributions**

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over seven years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The Fire District's contribution amounts are based on an actuarially determined rate which included the normal cost and unfunded accrued liability.

The Fire District's contractually required contribution rate for the year ended December 31, 2016 was 12.91% of the Fire District's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2016, the Fire District's contractually required contribution to the pension plan for the year ended December 31, 2016 is \$8,208.00, and is payable by April 1, 2017. Based on the PERS measurement date of June 30, 2015, the Fire District's contractually required contribution to the pension plan for the year ended December 31, 2015 was \$3,166.00, which was paid on April 1, 2016. Employee contributions to the Plan during the year ended December 31, 2016 were \$4,531.58.

Police and Firemen's Retirement System - The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 8.5% to 10.0% in October 2011. Employers' contributions are based on an actuarially determined amount which includes the normal cost and unfunded accrued liability.

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

The Fire District's contractually required contribution rate for the year ended December 31, 2016 was 15.73% of the Fire District's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Note 8: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

Police and Firemen's Retirement System (Cont'd) - Based on the most recent PFRS measurement date of June 30, 2016, the Fire District's contractually required contribution to the pension plan for the year ended December 31, 2016 is \$19,287.00, and is payable by April 1, 2017. Based on the PFRS measurement date of June 30, 2015, the Fire District's contractually required contribution to the pension plan for the year ended December 31, 2015 was \$14,888.00, which was paid on April 1, 2016. Employee contributions to the plan during the year ended December 31, 2016 were \$17,162.72.

The amount of contractually required contribution for the State of New Jersey's proportionate share, associated with the Fire District, for the year ended December 31, 2016 was 1.19% of the Fire District's covered payroll.

Based on the most recent PFRS measurement date of June 30, 2016, the State's contractually required contribution, on-behalf of the Fire District, to the pension plan for the year ended December 31, 2016 is \$1,454.00, and is payable by April 1, 2017. Based on the PFRS measurement date of June 30, 2015, the State's contractually required contribution, on-behalf of the Fire District, to the pension plan for the year ended December 31, 2015 was \$1,393.00, which was paid on April 1, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employees' Retirement System - At December 31, 2016, the Fire District's proportionate share of the PERS net pension liability was \$273,639.00. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. The Fire District's proportion of the net pension liability was based on a projection of the Fire District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2016 measurement date, the Fire District's proportion was .0009239230%, which was an increase of .0005390355% from its proportion measured as of June 30, 2015.

At December 31, 2016, the Fire District's proportionate share of the PERS pension expense, calculated by the Plan as of the June 30, 2016 measurement date was \$45,346.00.

Note 8: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

Police and Firemen's Retirement System - At December 31, 2016, the Fire District's and State of New Jersey's proportionate share of the PFRS net pension liability was as follows:

Fire District's Proportionate Share of Net Pension Liability	\$ 451,874.00
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the Fire District	<u>37,946.00</u>
	<u>\$ 489,820.00</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. The Fire District's proportion of the net pension liability was based on a projection of the Fire District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. For the June 30, 2016 measurement date, the Fire District's proportion was .0023655145%, which was an increase of .0005339362% from its proportion measured as of June 30, 2015. Likewise, at June 30, 2016, the State of New Jersey's proportion, on-behalf of the Fire District, was .0023655145%, which was an increase of .0005339362% from its proportion, on-behalf of the Fire District, measured as of June 30, 2015.

At December 31, 2016, the Fire District's proportionate share of the PFRS pension expense, calculated by the Plan as of the June 30, 2016 measurement date is (\$40,818.00).

At December 31, 2016, the State's proportionate share of the PFRS pension expense, associated with the Fire District, calculated by the Plan as of the June 30, 2016 measurement date is \$4,847.00. This on-behalf expense has been recognized by the Fire District in the government-wide financial statements.

Deferred Outflows of Resources and Deferred Inflows of Resources - At December 31, 2016, the Fire District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Note 8: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)****Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) –**

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
Differences between Expected and Actual Experience	\$ 5,089.00	\$ -	\$ 5,089.00	\$ -	\$ 2,962.00	\$ 2,962.00
Changes of Assumptions	56,683.00	62,588.00	119,271.00	-	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	10,434.00	31,662.00	42,096.00	-	-	-
Changes in Proportion and Differences between Fire District Contributions and Proportionate Share of Contributions	87,951.00	61,420.00	149,371.00	100.00	1,216.00	1,316.00
Fire District Contributions Subsequent to the Measurement Date	4,104.00	9,644.00	13,748.00	-	-	-
	<u>\$ 164,261.00</u>	<u>\$ 165,314.00</u>	<u>\$ 329,575.00</u>	<u>\$ 100.00</u>	<u>\$ 4,178.00</u>	<u>\$ 4,278.00</u>

\$4,104.00 and \$9,644.00 for PERS and PFRS, respectively, included in deferred outflows of resources, will be included as a reduction of the net pension liability in the year ending December 31, 2017. These amounts were based on an estimated April 1, 2018 contractually required contribution, prorated from the pension plans measurement date of June 30, 2016 to the Fire District's year end of December 31, 2016.

The Fire District will amortize the above other deferred outflow of resources and deferred inflows of resources related to pensions over the following number of years:

Note 8: PENSION PLANS (CONT'D)Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) –

	PERS		PFRS	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience				
Year of Pension Plan Deferral:				
June 30, 2014	-	-	-	-
June 30, 2015	5.72	-	-	5.53
June 30, 2016	5.57	-	-	5.58
Changes of Assumptions				
Year of Pension Plan Deferral:				
June 30, 2014	6.44	-	6.17	-
June 30, 2015	5.72	-	5.53	-
June 30, 2016	5.57	-	5.58	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments				
Year of Pension Plan Deferral:				
June 30, 2014	-	5.00	-	5.00
June 30, 2015	-	5.00	-	5.00
June 30, 2016	5.00	-	5.00	-
Changes in Proportion and Differences between Fire District Contributions and Proportionate Share of Contributions				
Year of Pension Plan Deferral:				
June 30, 2014	6.44	6.44	6.17	6.17
June 30, 2015	5.72	5.72	5.53	5.53
June 30, 2016	5.57	5.57	5.58	5.58

Note 8: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

Other amounts included as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future periods as follows:

<u>Year Ending Dec 31,</u>	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
2017	\$ 35,478.00	\$ 34,892.00	\$ 70,370.00
2018	35,478.00	34,892.00	70,370.00
2019	38,055.00	42,483.00	80,538.00
2020	35,054.00	30,715.00	65,769.00
2021	15,992.00	8,510.00	24,502.00
	<u>\$ 160,057.00</u>	<u>\$ 151,492.00</u>	<u>\$ 311,549.00</u>

Actuarial Assumptions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>PERS</u>	<u>PFRS</u>
Inflation	3.08%	3.08%
Salary Increases:		
Through 2026	1.65% - 4.15% Based on Age	2.10% - 8.98% Based on Age
Thereafter	2.65% - 5.15% Based on Age	3.10% - 9.98% Based on Age
Investment Rate of Return	7.65%	7.65%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience		
Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2014	July 1, 2010 - June 30, 2013

Note 8: PENSION PLANS (CONT'D)**Actuarial Assumptions (Cont'd)**

For PERS, pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. Mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

For PFRS, pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Postretirement mortality rates for female service retirements and beneficiaries were based the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

For PERS and PFRS, in accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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 and PFRS's target asset allocation as of June 30, 2016 are summarized in the following table:

Note 8: PENSION PLANS (CONT'D)**Actuarial Assumptions (Cont'd)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds / Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex U.S.	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2016 was 3.98% for PERS and 5.55% for PFRS. For both PERS and PFRS, the respective single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rates assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined 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 2034 for PERS and through 2050 for PFRS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 for PERS and through 2050 for PFRS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

Note 8: PENSION PLANS (CONT'D)Sensitivity of Fire District's Proportionate Share of Net Pension Liability to Changes in the Discount Rate

Public Employees' Retirement System (PERS) - The following presents the Fire District's proportionate share of the net pension liability at June 30, 2016, the Plan's measurement date, calculated using a discount rate of 3.98%, as well as what the Fire District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	PERS		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Fire District's Proportionate Share of the Net Pension Liability	\$ 335,313.00	\$ 273,639.00	\$ 222,722.00

Police and Firemen's Retirement System (PFRS) - As previously mentioned, PFRS has a special funding situation, where the State of New Jersey pays a portion of the Fire District's annual required contribution. As such, the net pension liability as of June 30, 2016, the Plan's measurement date, for the Fire District and the State of New Jersey, calculated using a discount rate of 5.55%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	PFRS		
	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
Fire District's Proportionate Share of the Net Pension Liability	\$ 582,658.00	\$ 451,874.00	\$ 345,227.00
State of New Jersey's Proportionate Share of Net Pension Liability associated with the Fire District	48,928.58	37,946.00	28,990.36
	<u>\$ 631,586.58</u>	<u>\$ 489,820.00</u>	<u>\$ 374,217.36</u>

Note 8: PENSION PLANS (CONT'D)**Pension Plan Fiduciary Net Position**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the PERS and PFRS and additions to/deductions from PERS and PFRS' respective fiduciary net position have been determined on the same basis as they are reported by PERS and PFRS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS and PFRS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions.

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description - The Fire District contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan, administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 1986, the Fire District authorized participation in the SHBP's post-retirement benefit program through resolution number 1986-15. The Fire District pays at its cost of postemployment health care benefits for all firefighters, fire officers, and emergency medical technicians who at the date of retirement have not less than twenty-five (25) years of service credit in a state locally administered retirement system and have served at least fifteen (15) years as an employee of the Haddon Township Fire District No. 1. Benefits provided include health insurance and prescription coverage for retirees and their dependents during the retired employee's life.

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

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

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Fire District on a monthly basis. The Fire District funds these benefits on a pay-as-you-go basis and, therefore, does not record accrued expenses related to these benefits.

The Fire District did not have any retirees as of December 31, 2016.

Plan Description - In addition to the benefits described above, the Fire District provides post-employment dental benefits, at its cost, to certain employees. The Fire District's plan provides a single employer post-employment dental plan which covers the following retiree population: eligible employees retire from service with the Fire District and have at least twenty-five years of service in a pension and had served at least fifteen (15) years as an employee of the Haddon Township Fire District No. 1. The dental benefits will be in a form consistent with that provided to all active members of the Fire District.

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)

Funding Policy - The contribution requirements of plan members and the Fire District are established and may be amended by the Fire District's Board of Fire Commissioners.

Future Retirees - In accordance with Statement No. 45 of the Governmental Accounting Standards Board, the Fire District is required to expense the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The ARC includes the costs of both current and future retirees. The current ARC was determined to be \$5,931.57 at an unfunded discount rate of 3%. As stated above, the Fire District had no retirees as of December 31, 2016; the Fire District has accrued the benefit costs of future eligible employees, but has not yet begun funding this outstanding liability.

Annual OPEB Cost - For the year 2016, the Fire District's annual OPEB cost (expense) of \$6,109.52 for the plan was equal to the ARC plus certain adjustments because the Fire District's actual contributions in prior years differed from the ARC.

The Fire District's annual required contribution (ARC), the interest on the net OPEB obligation, the adjustment to the ARC, the increase or decrease in the net OPEB obligation, the net OPEB obligation, and the percentage of annual OPEB cost contributed to the plan for years 2016, 2015, and 2014 are as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Required Contribution (ARC)	\$ 5,931.57	\$ 6,300.59	\$ 6,768.15
Interest on the Net OPEB Obligation	1,340.49	1,145.80	936.67
Adjustment to the ARC	<u>(1,162.54)</u>	<u>(956.78)</u>	<u>(733.63)</u>
Annual OPEB Cost	6,109.52	6,489.61	6,971.19
Net OPEB Obligation, January 1	<u>44,683.03</u>	<u>38,193.42</u>	<u>31,222.23</u>
Net OPEB Obligation, December 31	<u>\$ 50,792.55</u>	<u>\$ 44,683.03</u>	<u>\$ 38,193.42</u>
Percentage of Annual OPEB Cost Contributed	0.0%	0.0%	0.0%

The funded status of the plan as of December 31, 2016, was as follows:

Actuarial Accrued Liability (AAL)	\$ 177,947.00
Actuarial Value of Plan Assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 177,947.00</u>
Funded Ratio (Actuarial Value of Plan Assets / AAL)	0.0%
Covered Payroll (Active Plan Members)	\$ 186,168.00
UAAL as a Percentage of Covered Payroll	95.6%

Note 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)

Annual OPEB Cost (cont'd) – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - The projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2016 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 3.0 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7% initially. The Fire District Plan's unfunded actuarial accrued liability is being amortized over thirty years on an open basis. The remaining amortization period at December 31, 2016 was thirty years.

Note 10: 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.

New Jersey Unemployment Compensation Insurance - The Fire District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contribution Method". Under this method, a contribution rate is established annually for the Fire District's shared on unemployment tax. This rate is based on cost experience for all government employers.

Joint Insurance Fund - The Fire District is a member of the FIRST Responder Joint Insurance Fund. The Fund provides its members with the following coverage:

- Building Value, replacement cost
- Personal Property
- Portable Equipment
- General Liability
- Products/Completed Operations
- Non-owned Aircraft Liability
- Management/Employment Practices Liability
- Public Employee Blanket Bond
- Commercial Auto Liability
- Auto Physical Damage
- Hired and Non-Owned Auto Liability
- Workers Compensation

Note 10: RISK MANAGEMENT (CONT'D)**Joint Insurance Fund (Cont'd)**

Contributions to the Fund, including a reserve for contingencies are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention, or administrative accounts to assure the payment of the Fund's obligations.

The Fund publishes its own financial report for the year ended December 31, 2016, which can be obtained from:

FIRST Responder Joint Insurance Fund
51 Everett Drive, Suite B40
West Windsor, New Jersey 08512

Note 11: COMPENSATED ABSENCES

The Fire District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

The Fire District's employees are entitled to fifteen paid vacation days per year. Compensatory time is provided when the employee works in excess of the normal operating schedule. Sick days are provided as needed. The employees are compensated for unused vacation or compensatory time upon termination or retirement.

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. At December 31, 2016, the liability for compensated absences in the governmental fund types was \$8,142.92.

Note 12: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at December 31, 2016 is as follows:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General		\$ 41,250.00
Fiduciary	\$ 41,250.00	
	<u>\$ 41,250.00</u>	<u>\$ 41,250.00</u>

The interfund receivables and payables above predominately resulted from payments made by certain funds on behalf of other funds. During the year 2017, the Fire District expects to liquidate such interfunds, depending upon the availability of cash flow.

Note 13: CONTINGENCIES

Grantor Agencies - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Fire District expects such amount, if any, to be immaterial.

Note 14: CONCENTRATIONS

A significant source of revenue for the Fire District comes from its ability to levy property taxes (see note 1 for detail on property taxes). The ability to levy property taxes, and the limits to which property taxes can be levied, are promulgated by State statute. As a result of this dependency, the Fire District's operations are significantly reliant and impacted by State laws and regulations regarding property taxes.

Note 15: FUND BALANCES APPROPRIATED - GENERAL FUND

The 2017 annual budget of the Fire District was adopted on January 12, 2017, and subsequently approved by the voters at the annual election held on February 18, 2017. The adopted budget utilized \$144,539.00 of fund balance in the general fund.

The following presents the total fund balance of the general fund as of the end of the last five years and the amount utilized in the subsequent year's budget:

<u>Year</u>	<u>Balance Dec. 31</u>	<u>Utilization in Subsequent Budget</u>
2016	\$ 815,521.49	\$ 144,539.00
2015	853,140.95	233,395.00
2014	822,716.37	119,652.00
2013	874,073.53	169,651.00
2012	792,323.34	None

Note 16: FUND BALANCES**RESTRICTED**

As stated in note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the Fire District's fund balance are summarized as follows:

General Fund

Capital Projects (Future Capital Outlays) - These funds are restricted for future capital expenditures to be made in future years. When the Fire District desires to utilize these funds in their annual budget, a capital resolution must be passed by the Board of Fire Commissioners prior to any expenditure against a capital appropriation. As of December 31, 2016, the balance is \$250,000.00.

ASSIGNED

As stated in note 1, the assigned fund balance classification includes amounts that are constrained by the Fire District's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the Fire District's fund balance are summarized as follows:

General Fund

For Subsequent Year's Expenditures - The Fire District has appropriated and included as an anticipated revenue for the year ending December 31, 2017, \$144,539.00 of general fund balance at December 31, 2016.

UNASSIGNED

As stated in note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The Fire District's unassigned fund balance is summarized as follows:

General Fund - As of December 31, 2016, \$565,521.49 of general fund balance was unassigned.

Note 17: LENGTH OF SERVICE AWARDS PROGRAM

The Fire District's length of service awards program ("LOSAP"), which is reported in the Fire District's fiduciary fund as a private-purpose trust, was created by a Fire District Resolution adopted on November 16, 2000 pursuant to Section 457 (e)(11)(B) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the length of service award program as enacted into federal law in 1997. The voters of the Fire District approved the adoption of the LOSAP at the general election held on February 17, 2001, and the first year of eligibility for entrance into the LOSAP by qualified volunteers was calendar year 2001. The LOSAP provides tax deferred income benefits to active volunteer firefighters and emergency medical personnel.

The first year of eligibility for entrance into the Plan was calendar year 2001. The tax deferred income benefits for emergency service volunteers, consisting of the volunteer fire department and the first aid organization, come from contributions made solely by the governing body of the Fire District, on behalf of those volunteers who meet the criteria of a plan created by that governing body.

Note 17: LENGTH OF SERVICE AWARDS PROGRAM (CONT'D)

Contributions - If an active member meets the year of active service requirement, a length of service awards program must provide a benefit between the minimum contribution of \$100.00 and a maximum contribution of \$1,150.00 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually.

The Fire District elected to contribute \$1,400.00 for the year ended December 31, 2016, per eligible volunteer, into the Plan, depending on how many years the volunteer has served. Participants direct the investment of the contributions into various investment options offered by the Plan. Participants direct the investment of the contributions into the investment options offered by the Plan. The Plan currently offers one fixed annuity contract.

Participant Accounts - Each participant's account is credited with the Fire District's contribution and Plan earnings, and charged with administrative expenses. For the year ended December 31, 2016, the Fire District elected to pay substantially all of the Plan's administrative costs. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. The Fire District has placed the amounts deferred, including earnings, in a trust maintained by a third-party administrator for the exclusive benefit of the plan participants and their beneficiaries. Such funds, although subject to the claims of the Fire District's creditors until distributed as benefit payments, are not available for funding the operations of the Fire District.

Volunteer Fireman's Insurance Services, Inc. ("Plan Administrator"), an approved Length of Service Awards Program provider, is the administrator of the Plan. The Fire District's practical involvement in administering the Plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the Plan Administrator.

Vesting - Benefits, plus actual earnings thereon, are one hundred percent (100%) vested after five (5) years of service.

Payment of Benefits - Upon retirement or disability, participants may select various payout options, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate.

In the event of an unforeseeable emergency, as outlined in the Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the local plan administrator to payout a portion of vested accumulated deferrals.

Forfeited Accounts - For the year ended December 31, 2016, no accounts were forfeited.

Investments - The investments of the length of service awards program reported on the statement of fiduciary net position are recorded at fair value.

Plan Information - Additional information about the Fire District's length of service awards program can be obtained by contacting the Plan Administrator.

REQUIRED SUPPLEMENTARY INFORMATION
PART II

BUDGETARY COMPARISON SCHEDULES

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1
 Required Supplementary Information - Part II
 General Fund
 Budgetary Comparison Schedule
 For the Year Ended December 31, 2016

	Original Budget	Budget Modifications / Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
REVENUES:					
Amount to be Raised by Taxation to Support the District Budget	\$ 1,326,818.00		\$ 1,326,818.00	\$ 1,326,818.00	
Total Anticipated Revenues	1,326,818.00		1,326,818.00	1,326,818.00	-
Non-Budgetary Revenues: Miscellaneous				3,890.11	\$ 3,890.11
Total Non-Budgetary Revenues				3,890.11	3,890.11
Total Revenues	1,326,818.00		1,326,818.00	1,330,708.11	3,890.11
EXPENDITURES:					
Operating Appropriations:					
Administration:					
Salary and Wages:					
Commissioners	34,528.00	\$ 15,000.00	49,528.00	49,200.00	328.00
Administrative Support	4,697.00		4,697.00		4,697.00
Fringe Benefits	71,394.00		71,394.00	68,650.92	2,743.08
Other Expenses:					
Election	2,750.00		2,750.00	1,225.97	1,524.03
Insurance	980.00		980.00		980.00
Office Expense	7,000.00	3,000.00	10,000.00	9,115.41	884.59
Professional Services	40,000.00	11,000.00	51,000.00	44,205.40	6,794.60
Total Administration	161,349.00	29,000.00	190,349.00	172,397.70	17,951.30
Cost of Operations and Maintenance:					
Salary and Wages:					
Mechanic	79,040.00	7,000.00	86,040.00	85,716.64	323.36
Emergency Medical Technicians	36,807.00	46,000.00	82,807.00	82,241.04	565.96
Chief	74,930.00	(28,000.00)	46,930.00	45,768.18	1,161.82
Fringe Benefits	102,493.00		102,493.00	99,743.95	2,749.05
Other Expenses:					
Advertising	612.00		612.00	514.78	97.22
Insurance	113,858.00	21,000.00	134,858.00	134,717.55	140.45
Maintenance and Repair	85,000.00		85,000.00	69,821.48	15,178.52
Dues / Subscriptions	3,060.00		3,060.00	2,663.75	396.25
Supplies	30,000.00	3,000.00	33,000.00	25,838.36	7,161.64

(Continued)

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1
 Required Supplementary Information - Part II
 General Fund
 Budgetary Comparison Schedule
 For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
EXPENDITURES (CONT'D):					
Operating Appropriations (Cont'd):					
Cost of Operations and Maintenance (Cont'd):					
Other Expenses (Cont'd):					
Training and Education	\$ 10,200.00	\$ (5,000.00)	\$ 5,200.00	\$ 4,761.00	\$ 439.00
Travel	1,530.00		1,530.00		1,530.00
Utilities	43,350.00	6,000.00	49,350.00	42,764.46	6,585.54
Promotions	10,200.00	5,000.00	15,200.00	10,859.24	4,340.76
Other Rentals or Leases	96,900.00		96,900.00	95,000.00	1,900.00
Supplemental Fire Services Equipment	5,676.00		5,676.00		5,676.00
Ambulance EMT's Stipends	303,373.00	(35,000.00)	268,373.00	253,246.00	15,127.00
Other Assets - Non-Bondable					
New Equipment	95,143.00	(38,000.00)	57,143.00	56,484.44	658.56
Total Cost of Operations and Maintenance	1,092,172.00	(18,000.00)	1,074,172.00	1,010,140.87	64,031.13
Length of Service Award Program Contribution	56,692.00	(11,000.00)	45,692.00	41,250.00	4,442.00
Capital Appropriations					
Down Payments (N.J.S.A. 40A:14-85)					
Capital Lease - Fire Truck	250,000.00		250,000.00		250,000.00
Total Capital Appropriations	250,000.00	-	250,000.00	-	250,000.00
Total Expenditures	1,560,213.00	-	1,560,213.00	1,223,788.57	336,424.43
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (233,395.00)	-	\$ (233,395.00)	106,919.54	\$ 340,314.54
Fund Balance, Beginning				853,140.95	
Fund Balance, Ending				\$ 960,060.49	
Recapitulation:					
Restricted:					
Capital Projects (Future Capital Outlay)				\$ 250,000.00	
Assigned:					
Designated for Subsequent Year's Expenditures				144,539.00	
Unassigned				565,521.49	
				\$ 960,060.49	

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1

Required Supplementary Schedule - Part II

Special Revenue Fund

Budgetary Comparison Schedule

For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES:					
Operating Grant Revenue:					
FEMA Grant	\$ 325,905.00		\$ 325,905.00	\$ 325,905.00	
Total Operating Grant Revenue	325,905.00	-	325,905.00	325,905.00	
EXPENDITURES:					
Operating Appropriations:					
Cost of Operations and Maintenance:					
Other Assets - Non-Bondable:					
New Equipment	325,905.00		325,905.00	325,905.00	
Total Cost of Operations	325,905.00		325,905.00	325,905.00	
Total Expenditures	325,905.00	-	325,905.00	325,905.00	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balance, Beginning				-	
Fund Balance, Ending				-	

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1
 Required Supplementary Information - Part II
 Budgetary Comparison Schedule
 Note to Required Supplementary Information
 For the Year Ended December 31, 2016

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources / Inflows of Resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule.	\$ 1,330,708.11	\$ 325,905.00
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	<u>\$ 1,330,708.11</u>	<u>\$ 325,905.00</u>
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	\$ 1,223,788.57	\$ 325,905.00
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 1,223,788.57</u>	<u>\$ 325,905.00</u>

REQUIRED SUPPLEMENTARY INFORMATION
PART III

**SCHEDULES RELATED TO ACCOUNTING
AND REPORTING FOR PENSIONS**

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1
 Required Supplementary Information - Part III
 Schedule of the Fire District's Proportionate Share of the Net Pension Liability
 Public Employees' Retirement System (PERS)
Last Four Years

	<u>Measurement Date Ended June 30,</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Fire District's Proportion of the Net Pension Liability	0.0009239230%	0.0003848875%	0.0003840436%	0.0003850138%
Fire District's Proportionate Share of the Net Pension Liability	\$ 273,639.00	\$ 86,400.00	\$ 71,903.00	\$ 73,584.00
Fire District's Covered Payroll (Plan Measurement Period)	\$ 63,556.00	\$ 26,556.00	\$ 26,556.00	\$ 26,556.00
Fire District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	430.55%	325.35%	270.76%	277.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	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, this presentation will only include information for those years for which information is available.

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1
 Required Supplementary Information - Part III
 Schedule of the Fire District's Contributions
 Public Employees' Retirement System (PERS)
Last Four Years

	<u>Year Ended December 31,</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Fire District's Contractually Required Contribution	\$ 8,208.00	\$ 3,309.00	\$ 3,166.00	\$ 2,901.00
Fire District's Contributions in relation to the Contractually Required Contribution	<u>(8,208.00)</u>	<u>(3,309.00)</u>	<u>(3,166.00)</u>	<u>(2,901.00)</u>
Fire District's Contribution Deficiency (Excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Fire District's Covered Payroll (Calendar Year)	\$ 63,556.00	\$ 54,306.00	\$ 26,556.00	\$ 26,556.00
Fire District's Contributions as a Percentage of its Covered Payroll	12.91%	6.09%	11.92%	10.92%

This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1
 Required Supplementary Information - Part III
 Schedule of the Fire District's Proportionate Share of the Net Pension Liability
 Police and Firemen's Retirement System (PFRS)
Last Four Years

	<u>Measurement Date Ended June 30,</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Fire District's Proportion of the Net Pension Liability	0.0023655145%	0.0018315783%	0.0018362932%	0.0018481923%
Fire District's Proportionate Share of the Net Pension Liability	\$ 451,874.00	305,077.00	230,989.00	245,700.00
State's Proportionate Share of the Net Pension Liability associated with the Fire District	<u>37,946.00</u>	<u>26,754.00</u>	<u>24,874.00</u>	<u>22,902.00</u>
Total	<u>\$ 489,820.00</u>	<u>\$ 331,831.00</u>	<u>\$ 255,863.00</u>	<u>\$ 268,602.00</u>
Fire District's Covered Payroll (Plan Measurement Period)	\$ 75,608.00	\$ 58,000.00	\$ 58,000.00	\$ 58,000.00
Fire District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	597.65%	525.99%	398.26%	423.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.01%	56.31%	62.41%	58.70%

This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1
 Required Supplementary Information - Part III
 Schedule of the Fire District's Contributions
 Police and Firemen's Retirement System (PFRS)
Last Four Years

	<u>Year Ended December 31,</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Fire District's Contractually Required Contribution	\$ 19,287.00	\$ 14,888.00	\$ 14,104.00	\$ 13,484.00
Fire District's Contributions in relation to the Contractually Required Contribution	<u>(19,287.00)</u>	<u>(14,888.00)</u>	<u>(14,104.00)</u>	<u>(13,484.00)</u>
Fire District's Contribution Deficiency (Excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Fire District's Covered Payroll (Calendar Year)	\$ 122,612.00	\$ 94,708.00	\$ 58,000.00	\$ 58,000.00
Fire District's Contributions as a Percentage of its Covered Payroll	15.73%	15.72%	24.32%	23.25%

This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1
Required Supplementary Information - Part III
Notes to Required Supplementary Information - Part III
For the Year Ended December 31, 2016

Public Employees' Retirement System (PERS)

Changes in Benefit Terms:

None

Changes in Assumptions:

For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65%, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

Police and Firemen's Retirement System (PFRS)

Changes in Benefit Terms:

None

Changes in Assumptions:

For 2016, the discount rate changed to 5.55%, the long-term expected rate of return changed to 7.65%, and the mortality improvement scale incorporated the plan actuary's modified 2014 projection scale. Further, salary increases were assumed to increase between 2.10% and 8.98% (based on age) through fiscal year 2026 and 3.10% and 9.98% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 5.79% and demographic assumptions were revised in accordance with the results of the July 1, 2010 - June 30, 2013 experience study. For 2014, the discount rate was 6.32%.

REQUIRED SUPPLEMENTARY INFORMATION
PART IV

**SCHEDULES RELATED TO OTHER
POSTEMPLOYMENT BENEFIT PLANS**

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1
 Required Supplementary Information - Part IV
 Schedule of Funding Progress for Dental Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/16	-	\$ 177,947.00	\$ 177,947.00	0.00%	\$ 186,168.00	95.58%
12/31/15	-	\$ 189,017.60	\$ 189,017.60	0.00%	\$ 149,014.00	126.85%
12/31/14	-	\$ 203,044.37	\$ 203,044.37	0.00%	\$ 84,566.00	240.10%

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1
Notes to Required Supplementary Information
For the Year Ended December 31, 2016

Other Postemployment Benefits

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation Date	December 31, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight-line
Amortization Period	Open
Remaining Amortization Period	30 Years
Asset Valuation Method	to be determined upon funding
Actuarial Assumptions:	
Mortality	estimated for males until age 75; females until age 80
Discount Rate	0.03
Rates of Retirement	based on serving 25 years (15 years with the Township of Haddon Fire District No. 1)
Spousal Coverage	spouses are assumed to continue coverage upon death of former employee
Coverage	100% of retirees who currently have dental benefits will continue with the same coverage. 100% of actives, upon retirement with benefits, will elect coverage with the same enrollment pattern as current retirees.
Dental Trend	7% increase annually

For determining the annual required contribution (ARC), the rate of employer contributions to the plan is composed of the normal cost plus amortization of the unfunded actuarial accrued liability (UAAL), multiplied by the sum of 1 plus the discount rate, or 1.03. The normal cost is a portion of the actuarial present value of the plan benefits and expenses which is allocated to a valuation year by the actuarial cost method. The actuarial accrued liability (AAL) is that portion of the present value of projected benefits that will not be paid by future employer normal costs. The difference between this liability and the funds accumulated as of the same date is the unfunded actuarial liability (UAL).

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1
Schedule of Findings and Recommendations
For the Year Ended December 31, 2016

Schedule of Financial Statement Findings

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

Finding No. 2016-001

Criteria or Specific Requirement

Under the provisions of Chapter 78, P.L. 2011, PERS employee pension contribution rates will increase from 7.06% to 7.20% of salary. Additional increases will be phased over the next 7 years and will bring the total pension contribution rate to 7.5% of salary. Chapter 78, P.L. 2011 also requires contributions from employees or retirees toward premiums for health benefits. The amount of the contribution is the higher of 1.5% of base salary (Chapter 2), or Chapter 78, s.39 (subject to phase-in requirements of sections 40-44), or any locally or contractually required contribution that applies to an employee.

Condition

Auditor noted that proper payroll deductions were not being withheld from employees for pensions and health contributions.

Context

Throughout the auditor's testing of payroll, it was noted that an incorrect percentage was being used for pension withholdings. Also, it was noted for employees who were receiving health benefits, the proper contribution was not being withheld.

Effect

The Fire District is not in compliance with all the rules and regulations set forth by Chapter 78, P.L. 2011 of the State of New Jersey.

Cause

The Fire District is not applying Local Finance Board Notices.

Recommendation

The Fire District should review on a regular basis all Local Finance Board Notices and implement those applicable to the Fire District on a timely basis. This includes but is not limited to the Fire District applying the provisions of Chapter 78, P.L. 2011 for payroll deductions.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

TOWNSHIP OF HADDON FIRE DISTRICT NO. 1
Summary Schedule of Prior Year Audit Findings
and Recommendations as Prepared by Management

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

FINANCIAL STATEMENT FINDINGS

Finding No. 2015-001

Condition

Under the provisions of Chapter 78, P.L. 2011, PERS employee pension contribution rates will increase from 6.92% to 7.06% of salary. Additional increases will be phased over the next 7 years and will bring the total pension contribution rate to 7.5% of salary. Chapter 78, P.L. 2011 also requires contributions from employees or retirees toward premiums for health benefits. The amount of the contribution is the higher of 1.5% of base salary (Chapter 2), or Chapter 78, s.39 (subject to phase-in requirements of sections 40-44), or any locally or contractually required contribution that applies to an employee.

Current Status

This condition still exists, refer to Finding 2016-001.

Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

APPRECIATION

We express our appreciation for the assistance and courtesies rendered by the Fire District officials during the course of the audit.

Respectfully submitted,

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

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants