

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1

**Financial Statements and Supplementary Information
Year Ended December 31, 2015**

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CITY OF LAMBERTVILLE FIRE DISTRICT No. 1

Roster of Officials

For the year ended December 31, 2015

Board of Fire Commissioners

Aladar G. Komjathy, Chairman

Christopher Kascik, Vice-Chairman

Robert Colin Mohr, Secretary

David B. Morgan, Treasurer

Sarah Lechner, Commissioner

Other Officials

Richard M. Braslow, Esq., Attorney

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INDEPENDENT AUDITOR'S REPORT

To the Board of Fire Commissioners
City of Lambertville Fire District No.1
Lambertville, New Jersey

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of City of Lambertville Fire District No.1, in the County of Hunterdon, State of New Jersey, as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Pronouncement

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Lambertville Fire District No.1 basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2016, on our consideration of City of Lambertville Fire District No.1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Lambertville Fire District No.1's internal control over financial reporting and compliance.

DePietto & DePietto, LLC

Holland, Pennsylvania
August 15, 2016

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1

Management's Discussion and Analysis

For the Year Ended December 31, 2015

Unaudited

The discussion and analysis of the City of Lambertville Fire District No.1's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2015. The intent of the discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

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

Financial Highlights

Key financial highlights for 2015 are as follows:

In total, net position decreased (\$217,348) from 2014. Due to the implementation of GASB 68, the previously stated net position was decreased by \$37,432 through a prior period adjustment.

General revenues accounted for \$548,547 or 100% of all revenues.

Per generally accepted accounting principles (GAAP) basis, the District had \$728,463 in expenses including \$155,747 of depreciation and \$21,881 in additional pension expense to be in compliance with GASB 68 for 2015. General revenues (primarily taxes) of \$548,547 were not adequate to provide for these programs, resulting in a change in net position of (\$179,916).

Per Non-GAAP budgetary basis, the District had \$570,360 in expenditures and capital outlay and \$548,547 of actual revenue which resulted in a deficit of \$21,813 of revenues over expenditures. General revenues (primarily taxes) of \$548,547 were not adequate to provide for these programs and the District had to utilize \$21,813 of the \$68,500 of unrestricted fund balance noted in the 2015 budget.

Using this Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand City of Lambertville Fire District No.1 as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

This annual report consists of the following three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Reporting the District's Most Significant Funds Fund Financial Statements

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

Governmental Funds

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

Notes to the Financial Statements

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

The District as a Whole

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

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

Table 1
Condensed Statement of Net Position

	<u>Governmental Activities 2015</u>	<u>Governmental Activities 2014</u>
Current and Other Assets	\$ 544,213	\$ 537,408
Capital Assets, net of accumulated depreciation	<u>1,959,740</u>	<u>1,875,963</u>
Total Assets	<u>2,503,953</u>	<u>\$2,413,371</u>
Deferred Outflow of Resources	<u>111,947</u>	<u>0</u>
Total Assets and Deferred Outflow of Resources	<u>\$2,615,900</u>	<u>\$2,413,371</u>
Current Liabilities	\$ 92,905	\$ 44,911
Long-Term Liabilities	<u>339,185</u>	<u>0</u>
Total Liabilities	<u>432,090</u>	<u>44,911</u>
Deferred Inflow of Resources	<u>32,698</u>	<u>0</u>
Net Position:		
Invested in Capital Assets, net of related debt	1,739,740	1,875,963
Unrestricted	<u>411,372</u>	<u>492,497</u>
Total Net Position	<u>2,151,112</u>	<u>2,368,460</u>
Total Liabilities, Deferred Inflow of Resources and Net Position	<u>\$2,615,900</u>	<u>\$2,413,371</u>

Table 2
Condensed Statement of Changes in Net Position

	<u>Governmental Activities 2015</u>	<u>Governmental Activities 2014</u>
REVENUES:		
General Revenues:		
Property Taxes	\$536,895	\$524,664
Grants – state	1,249	2,498
Sale of equipment	4,900	377,750
Other	<u>5,503</u>	<u>4,235</u>
Total Revenues	<u>\$548,547</u>	<u>\$909,147</u>
EXPENSES:		
Administration	\$ 83,998	\$ 94,695
Cost of Operations and Maintenance	<u>644,465</u>	<u>597,665</u>
Total Expenses	<u>728,463</u>	<u>\$692,360</u>
Increase (Decrease) in Net Position	<u>(\$179,916)</u>	<u>\$216,787</u>

Governmental Activities

The unique nature of property taxes in New Jersey creates the legal requirements to annually seek voter approval for the District operations. Property taxes made up 97.9% of revenues for governmental activities for City of Lambertville Fire District No.1 for 2015. The District's total revenues were \$548,547 for the year ended December 31, 2015. The state grants accounted for another .2% of revenue, and other miscellaneous revenue accounted for the remaining 1.9%.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

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

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

The District's Funds

All governmental funds (i.e., general fund and capital projects fund) are accounted for using the modified-accrual basis of accounting. Total revenues amounted to \$548,547 and expenditures were \$550,835. The total change in fund balance for the year in the governmental funds was \$(2,288).

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the revenues of the General Fund for the year ended December 31, 2015, and the amount of increases and decreases in relation to prior year revenues.

Table 3
Summary of Revenues – General Fund

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease) from 2014</u>
Revenue:			
Local Sources:			
Amount to be Raised by Taxation	\$536,895	\$524,664	\$ 12,231
Miscellaneous	10,403	381,985	(371,582)
Federal and State sources	<u>1,249</u>	<u>2,498</u>	<u>(1,249)</u>
Total	<u>\$548,547</u>	<u>\$909,147</u>	<u>\$(360,600)</u>

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

Table 4
Summary of Expenditures – General Fund

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease) from 2014</u>
Expenditures:			
Administration	\$ 83,998	\$ 94,695	\$ (10,697)
Cost of Operations and Maintenance	<u>466,837</u>	<u>477,142</u>	<u>(10,305)</u>
Total	<u>\$550,835</u>	<u>\$571,837</u>	<u>\$(21,002)</u>

Capital Assets

At the end of the year 2015, the District had \$1,346,811 invested in buildings, fire equipment, telecommunications and security equipment, fire apparatus and office furniture and equipment. Table 5 shows 2015 balances compared to 2014.

Table 5
Capital Assets (Net of Depreciation)

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease) from 2014</u>
Fire Trucks	\$1,825,795	\$1,734,625	\$ 91,170
Fire Vehicles and Equipment	40,069	27,632	12,437
Radio Equipment	<u>93,876</u>	<u>113,706</u>	<u>(19,830)</u>
Total	<u>\$1,959,740</u>	<u>\$1,875,963</u>	<u>\$ 83,777</u>

Depreciation expense of \$155,747 was charged to governmental activities as part of its cost of operations in 2014. In 2015, the District purchased a new Pierce Rescue truck for \$220,000. It obtained a capital lease for the purchase of the truck. The District also purchased trailer equipment for \$19,524. The District used funds from the operating budget to purchase the trailer.

Economic Factors

For the 2015 year, the City of Lambertville Fire District No.1 was able to sustain its budget through the district tax levy, other sources of revenue and utilization of undesignated fund balance. Approximately 97.9% of total revenue was from the local tax levy, while the remaining 2.1% was from other sources. The tax rate levy per \$100 of property valuation increased from \$.0738 in 2014 to \$.0753 in 2015.

For the Future

City of Lambertville Fire District No.1 is presently in good financial condition. The District is proud of its community support.

In conclusion, City of Lambertville Fire District No.1 has committed itself to financial excellence for many years. In addition, the District's system for financial planning, budgeting, and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the District's Financial Management

This financial report is designed to provide our District's citizens, taxpayers, investors, creditors and other interested parties with a general overview of the District's finances and to show the District's accountability for the money it receives. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact, Treasurer, at City of Lambertville Fire District No.1, P.O. Box 174, Lambertville, New Jersey, 08530.

BASIC FINANCIAL STATEMENTS

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1
Statement of Net Position
December 31, 2015

	<u>Governmental</u> <u>Activites</u>
ASSETS	
Cash and cash equivalents	\$ 544,213
Capital assets, net of accumulated depreciation	<u>1,959,740</u>
Total assets	<u>2,503,953</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>111,947</u>
Total deferred inflows of resources	<u>111,947</u>
Total assets and deferred outflows of resources	<u>\$ 2,615,900</u>
LIABILITIES	
Accounts payable	\$ 62,332
Accrued expenses	11,196
Capital lease payable - current portion	19,377
Long-term liabilities:	
Capital lease payable	200,623
Pension payable	5,111
Net pension liability	<u>133,451</u>
Total liabilities	<u>432,090</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>32,698</u>
Total deferred inflows of resources	<u>32,698</u>
Total liabilities and deferred inflows of resources	<u>464,788</u>
NET POSITION	
Invested in capital assets, net of related debt	1,739,740
Unrestricted	<u>411,372</u>
Total net position	<u>2,151,112</u>
Total liabilities and deferred inflows of resources and net position	<u>\$ 2,615,900</u>

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

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1
Statement of Activities
For the Year Ended December 31, 2015

	<u>Governmental</u> <u>Activites</u>
Expenditures:	
Fire protection - administration	\$ 83,998
Fire protection - operations	<u>644,465</u>
Total expenditures	<u>728,463</u>
General revenues:	
Taxes	536,895
Grants - state	1,249
Investment earnings	2,496
Miscellaneous revenue	<u>7,907</u>
Total general revenues	<u>548,547</u>
Change in net position	(179,916)
Net position	
Beginning of the year	2,368,460
Prior year adjustment - GASB 68	<u>(37,432)</u>
Net position, beginning of year, restated	<u>2,331,028</u>
Net position, end of year	<u>\$ 2,151,112</u>

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

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1

Governmental Funds

Balance Sheet

December 31, 2015

Governmental Funds

	<u>General Fund</u>	<u>Total</u>
ASSETS		
Cash and cash equivalents	\$ 544,213	\$ 544,213
Total assets	<u>\$ 544,213</u>	<u>\$ 544,213</u>
LIABILITIES		
Accounts payable	\$ 62,332	\$ 62,332
Accrued expenses	11,196	11,196
Total liabilities	<u>73,528</u>	<u>73,528</u>
FUND BALANCES		
Fund balances:		
Unassigned	<u>470,685</u>	<u>470,685</u>
Total fund balances	<u>470,685</u>	<u>470,685</u>
Total liabilities and fund balances	<u>\$ 544,213</u>	<u>\$ 544,213</u>

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

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1

Governmental Funds

Balance Sheet

December 31, 2015

Governmental Funds - Fund Balance, December 31, 2015	\$ 470,685
Differences to amounts reported for governmental activities in the statement of net position:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,822,826 and the accumulated depreciation is \$863,086	1,959,740
Capital leases used in governmental activities are not financial resources and therefore are not reported in the funds and are offset against capital assets.	(220,000)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.	79,249
Accrued PERS pension payable is not recorded in financial statements of governmental funds	(5,111)
Long-term liabilities, including net pension liability, are not due and payable in the current period and are therefore not reported as liabilities in the funds.	<u>(133,451)</u>
Governmental Activities - Net Position, December 31, 2015	<u><u>\$ 2,151,112</u></u>

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended December 31, 2015

	<u>Governmental Funds</u>	
	<u>General</u>	
	<u>Fund</u>	<u>Total</u>
Expenditures/expenses:		
Fire protection - administration	\$ 83,998	\$ 83,998
Fire protection - operations	<u>466,837</u>	<u>466,837</u>
Total expenditures/expenses	<u>550,835</u>	<u>550,835</u>
General revenues:		
Taxes	536,895	536,895
Grants - state	1,249	1,249
Investment earnings	2,496	2,496
Miscellaneous revenue	<u>7,907</u>	<u>7,907</u>
Total general revenues and transfers	<u>548,547</u>	<u>548,547</u>
Deficit of revenues over expenditures	(2,288)	(2,288)
Fund balance:		
Beginning of the year	<u>472,973</u>	<u>472,973</u>
End of the year	<u>\$ 470,685</u>	<u>\$ 470,685</u>

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

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1

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

December 31, 2015

Total changes in Governmental Funds - Fund Balance \$ (2,288)

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

Capital outlays are reported in governmental funds as expenditures.
However, in the statement of activities, the cost of those assets is
allocated over their estimated useful lives as depreciation expense.

Depreciation Expense (155,747)

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

Pension expense (21,881)

Governmental Activities - Change in Net Position, December 31, 2015 \$ (179,916)

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1

Notes to the Financial Statements

December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lambertville Fire District No.1 (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Reporting Entity

City of Lambertville Fire District No.1 is a political subdivision of the City of Lambertville, County of Hunterdon in the State of New Jersey. The District was established to function as a special service district through the adoption of a city ordinance, to provide fire prevention and suppression services to the residents of Lambertville. The District functions independently through a Board of Fire Commissioners. The board is comprised of five members elected to three-year terms. The board is responsible for the fiscal control of the District. The annual Fire District election is held the third Saturday of February.

In accordance with the requirements of Statement No. 14, *The Financial Reporting Entity, of the Governmental Accounting Standards Board* (GASB), the financial statements must present the District (the primary government) and its component units. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the District's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Pursuant to this criterion, no component units were identified for inclusion in the accompanying financial statements.

Basis of Presentation

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

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

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

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1

Notes to the Financial Statements

December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

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

The District reports the following major governmental funds:

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

District Wide and Fund Financial Statements

The district-wide financial statements report information of all of the nonNo. activities of the District. For the most part, the effect of inter-fund activity has been removed from these district-wide statements. District activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Individual funds are not displayed but the statements distinguish governmental activities as generally supported through taxes and user fees.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. The District does not allocate general government (indirect) expenses to other functions.

Net position is restricted when constraints placed on it is either externally imposed or imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

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

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1

Notes to the Financial Statements

December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

District Wide and Fund Financial Statements (continued)

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

Fund Financial Statements

The fund financial statements provide detail of the governmental and fiduciary funds, if any.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net position.

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB).

Encumbrances

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures of liabilities but rather commitments related to unperformed contracts for goods and services. The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current fiscal year end.

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1

Notes to the Financial Statements
December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and Expenditures

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

Inventories and prepaid expenses

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

Capital Assets

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

Generally, the District capitalizes assets with an individual cost of \$5,000 or more and a useful life greater than one year. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not.

Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Radio equipment	5 - 7 years
Fire trucks	20 years
Vehicles and equipment	5 – 10 years

Employee Benefits

Vacation, sick pay and other employee benefits are recorded as expenditures when paid except for other post employment benefits noted in Note 10.

Use of Estimates

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

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1
Notes to the Financial Statements
December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

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

Budget and Budgetary Accounting

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

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

Amendments may be made to the District budget in accordance with N.J.S.A. 40A:14-78.3.

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

Fire districts have a prescribed budgetary basis to demonstrate legal compliance. However, budgets are adopted on principally the same basis of accounting utilized for the preparation of the District's financial statements. Each annual budget lapses at the end of the year..

Fire District Taxes

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

Deferred Outflows and Deferred Inflows of Resources

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

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

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1

Notes to the Financial Statements

December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions Section

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

Fund Equity

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by external parties, constitutional provision or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making by the District and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Administrator.
- Unassigned – includes balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds

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

Net position

Net position, represents the difference between summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified in the following three components:

- Net Investment in Capital Assets – This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1

Notes to the Financial Statements

December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adopted Accounting Pronouncements

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

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

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

Cash and Cash Equivalents

Cash used for the day-to-day operations of the Fire District is in an interest bearing checking account and an interest bearing money market account. The balances in these accounts at December 31, 2015 were \$58,611 and \$485,602, respectively. The average interest rate for 2015 was .325%.

Concentration of Credit Risk

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

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

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1

Notes to the Financial Statements
December 31, 2015

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

Bank deposits

All bank deposits are classified as to credit risk by the three categories. **Category 1** consists of bank deposits insured or collateralized with securities held by the District of in the District's name by its agent. **Category 2** consists of bank deposits collateralized with securities held by pledging public depository's trust department or agent in the District's name. **Category 3** includes uncollateralized deposits including any deposits that are collateralized with securities held by the pledging public depository or by its trust department or agent but not in the District's name. At December 31, 2015, the District's deposits of \$544,213 are classified as Category 1 deposits.

NOTE 3 – CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Being Depreciated:				
Fire Trucks	\$ 2,103,280	\$220,000	\$ 0	\$2,323,280
Fire Vehicles and Equipment	345,457	19,524	0	364,981
Radio Equipment	<u>134,565</u>	<u>0</u>	<u>0</u>	<u>134,565</u>
Total Capital Assets, Being Depreciated	2,583,302	239,524	0	2,822,826
Less: Total Accumulated Depreciation	<u>707,339</u>	<u>155,747</u>	<u>0</u>	<u>863,086</u>
Total Capital Assets, Being Depreciated, Net	<u>\$1,875,963</u>	<u>\$ 83,777</u>	<u>\$ 0</u>	<u>\$1,9759,740</u>

Depreciation expense of \$155,747 was charged to governmental activities as part of its cost of operations in 2014. In 2015, the District purchased a new Pierce Rescue truck for \$220,000. It obtained a capital lease for the purchase of the truck. The District also purchased trailer equipment for \$19,524. The District used funds from the operating budget to purchase the trailer.

NOTE 4 – ACCRUED EXPENSES

Accrued expenses include costs for payroll and related payroll taxes and professional fees that were incurred for the year ended December 31, 2015 but were not paid by that date.

NOTE 5 – PENSION OBLIGATIONS

Public Employees' Retirement System (PERS)

Plan Description

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

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

The following represents the membership tiers for PERS:

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

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

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1

Notes to the Financial Statements

December 31, 2015

NOTE 5 – PENSION OBLIGATIONS (CONTINUED)

Public Employees' Retirement System (PERS) (continued)

Allocation Methodology and Reconciliation to Financial Statements

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

Contributions

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

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

Three-Year Trend Information for PERS

<u>Year</u>	<u>Pension</u>	<u>% of APC</u>	<u>Net Pension</u>
<u>Funding</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
12/31/15	\$ 0	100%	\$ 133,451
12/31/14	\$ 1,747	100%	\$ 0
12/31/13	\$ 1,681	100%	\$ 44,313

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1
Notes to the Financial Statements
December 31, 2015

NOTE 5 – PENSION OBLIGATIONS (CONTINUED)

Public Employees’ Retirement System (PERS) (continued)

Components of Net Pension Liability

At December 31, 2015, the District reported a liability of \$133,451 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The District’s proportion of the net pension liability was based on the District’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2015. The District’s proportion measured as of June 30, 2015, was 0.00139869200%, which was an increase of .0001009319% from its proportion of 0.0013742356% measured as of June 30, 2014.

PERS Collective balances at December 31, 2015 and 2014

	<u>12/31/15</u>	<u>12/31/14</u>
Actuarial valuation date	July 1, 2014	July 1, 2013
Deferred Outflows of Resources	\$ 111,947	\$ 0
Deferred Inflows of Resources	\$ 32,698	\$ 37,432
Net Pension Liability (NPL)	\$ 133,451	\$ 0
District's portion of the Plan's total NPL	0.00059448770%	0.00000000000%

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended December 31, 2015, the District recognized pension expense of \$21,881. At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Changes of assumptions	\$ 14,332	\$ 0
Net difference between expected and actual experience	3,184	0
Net difference between projected and actual earnings on pension plan investments	0	2,146
Changes in proportion and differences between District contributions and proportionate share of contributions	94,431	30,552
Total	<u>\$111,947</u>	<u>\$32,698</u>

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1
Notes to the Financial Statements
December 31, 2015

NOTE 5 – PENSION OBLIGATIONS (CONTINUED)

Public Employees’ Retirement System (PERS) (continued)

Pension Expense and Deferred Outflows/Inflows of Resources (continued)

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

<u>Year Ended</u>	<u>PERS</u>
<u>June 30:</u>	
2016	\$ 16,332
2017	16,332
2018	16,332
2019	17,990
2020	12,263
Thereafter	0
	<u>\$79,249</u>

Actuarial Assumptions

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

Measurement date	June 30, 2015
Actuarial valuation date	July 1, 2014
Investment rate of return	7.90%
Salary increases:	
2012-2021	2.15-4.40%
	based on age
Thereafter	3.1 5-5.40%
	based on age
Inflation rate	3.04%

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

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

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1
Notes to the Financial Statements
December 31, 2015

NOTE 5 – PENSION OBLIGATIONS (CONTINUED)

Public Employees’ Retirement System (PERS) (continued)

Long-Term Expected Rate of Return

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

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

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1

Notes to the Financial Statements
December 31, 2015

NOTE 5 – PENSION OBLIGATIONS (CONTINUED)

Public Employees’ Retirement System (PERS) (continued)

Discount Rate (continued)

discount rate assumed that employee contributions will be made at the current member contribution rates and that contributions from employers will be made on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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

	<u>At 1% decrease (3.9%)</u>	<u>At current discount rate (4.9%)</u>	<u>At 1% increase (5.9%)</u>
District's proportionate share of the net pension liability	\$165,863	\$133,451	\$106,276

NOTE 6 – LONG-TERM LIABILITIES

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

	<u>Balance 12/31/14</u>	<u>Accrued/ Increases</u>	<u>Retired/ Decreases</u>	<u>Balance 12/31/15</u>	<u>Due within one year</u>
Net pension liability	<u>\$ 0</u>	<u>\$133,451</u>	<u>\$ 0</u>	<u>\$133,451</u>	<u>\$ 0</u>

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1

Notes to the Financial Statements

December 31, 2015

NOTE 7 - OBLIGATIONS UNDER CAPITAL LEASE AGREEMENT

Purchase of 2015 Pierce Rescue Truck

In 2015, the District entered into a lease agreement with Commerce Bank to purchase a 2015 Pierce Rescue Fire Truck. The agreement requires ten (10) annual payments of \$25,515.07 including interest at 2.79%, beginning August 3, 2016 and ending August 3, 2025. The balance payable on the lease agreement at December 31, 2015 for the utility truck was \$220,000. Interest expense for the year ended December 31, 2015 was \$0.

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

2016	\$ 25,515
2017	25,515
2018	25,515
2019	25,515
2020	25,515
Thereafter	<u>127,575</u>
Total future minimum lease payments	255,150
Less: Amount representing interest	<u>(35,150)</u>
	220,000
Less: Current portion	<u>(19,377)</u>
	<u>\$200,623</u>

NOTE 8 – RENT FOR HOUSING APPARATUS

The District is comprised of three fire volunteer fire companies. The District owns all fire apparatus, except for one restored fire truck, which is owned by the Union Fire Company. The District also owns all equipment on the vehicles and the firemen's attire. The buildings which house the fire apparatus are owned by the respective fire companies. The District paid rent to the firehouses totaling \$59,700 for the year ended December 31, 2015.

NOTE 9 – GRANTS

Supplemental Fire Services Grant

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

The funds are utilized for the purchase of items as defined in compliance with state statutes. The grant was budgeted for \$1,249 for the year ended December 31, 2015. The District received and expended \$1,249 for the year ended December 31, 2015.

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1

Notes to the Financial Statements

December 31, 2015

NOTE 10 – OTHER EMPLOYMENT AND POST-EMPLOYMENT BENEFITS

HEALTHCARE

Plan Description

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

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

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

The SHBP is established under the District of N.J.S.A. 52:14-17.25 et seq. and regulations adopted by the State Health Benefits Commission. The required contribution rate is determined on an annual pay as you go basis. The District currently has no retirees.

NOTE 11 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

Property and Liability Insurance

The District maintains commercial insurance coverage for property, liability and surety bonds.

NOTE 12 – DATE OF MANAGEMENT’S REVIEW

Subsequent events have been evaluated through August 15, 2016, which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure within the financial statements.

NOTE 13 – LITIGATION

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

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1

Notes to the Financial Statements

December 31, 2015

NOTE 14 – PRIOR PERIOD ADJUSTMENT/RESTATEMENT OF NET POSITION

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

	<u>Governmental Activities</u>
Net position as previously reported at December 31, 2014	\$ 2,368,460
Prior period adjustment:	
Implementation of GASB 68:	
Deferred Inflows - PERS (measurement date as of June 30, 2014)	<u>(37,432)</u>
Total prior period adjustment	<u>(37,432)</u>
Net position as restated, January 1, 2015	<u><u>\$2,331,028</u></u>

NOTE 15 – UNASSIGNED FUND BALANCE – GOVERNMENT FUNDS

Unassigned fund balance – government funds at December 31, 2015 totaled \$470,685. Of that amount, \$88,332 is anticipated to be utilized in the 2016 budget as designated surplus.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1
 Schedule of Revenues and Expenditures
 Budget and Actual (Non-GAAP Budgetary Basis) - General Fund
 For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u> Positive (Negative)
Revenues:				
Taxes	\$ 536,895	\$ 536,895	\$ 536,895	\$ 0
Designated surplus	68,500	68,500	21,813	(46,687) +
Investment income	0	0	2,496	2,496
Miscellaneous	0	0	7,907	7,907
Supplemental fire services grant	1,418	1,418	1,249	(169)
Total Revenues	606,813	606,813	570,360	(36,453)
Expenditures:				
General Government:				
Salaries and wages	\$ 152,980	\$ 152,980	\$ 147,264	\$ 5,716
Fringe benefits	101,909	101,909	96,292	5,617
Administration:				
Advertising	1,000	975	964	11
Election expenses	500	525	523	2
Insurance	23,120	23,120	20,308	2,812
Office expenses	4,800	4,800	8,406	(3,606)
Professional fees	38,000	56,000	53,797	2,203
Total Administration	67,420	85,420	83,998	1,422
Operations:				
Computers, software and maintenance	3,000	3,000	398	2,602
Health and safety	5,800	4,000	4,127	(127)
Fire prevention and materials	34,800	19,000	5,492	13,508
Fire hydrant service	30,000	30,000	28,772	1,228
Housing rent for apparatus	60,000	59,600	59,700	(100)
Materials and supplies	101,204	101,204	103,641	(2,437)
Repairs and maintenance	43,200	43,200	35,406	7,794
Training	6,500	6,500	5,270	1,230
Total Operations	284,504	266,504	242,806	23,698
Total General Government	606,813	606,813	570,360	36,453
Capital Outlay				
Payment of capital lease	0	0	0	0
Interest on capital lease	0	0	0	0
Total Capital Outlay	0	0	0	0
Total Expenditures	606,813	606,813	570,360	36,453
Excess of Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Over Expenditures	\$ 0	\$ 0	\$ 0	\$ 0

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

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1
 Schedule of Revenues and Expenditures
 Budget and Actual (Non-GAAP Budgetary Basis) - General Fund
 For the Year Ended December 31, 2015

Reconciliation of Budget Basis to GAAP Basis:

Excess of Revenues Over Expenditures - Budget Basis	\$ 0
Depreciation is not an outflow of a budgetary resource but is an expenditure for financial reporting purposes	(155,747)
Designated surplus is an inflow of resources for budgetary purposes but not for financial reporting purposes	(21,813)
Purchase of trailer equipment is an outflow of a budgetary resource but is a capital expenditure for financial reporting purposes	19,525
Pension expense reported in accordance with GASB 68 is an outflow for financial reporting purposes but is not an outflow of a budgetary resource	<u>(21,881)</u>
Deficit of Revenues Over Expenditures - GAAP Basis	<u><u>\$ (179,916)</u></u>

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1

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

	2015	2014	2013
District's proportion of the net pension liability (asset)	0.0005944877%	0.0000000000%	0.0002318576%
District's proportionate share of the net pension liability (asset)	\$ 133,451	\$ 0	\$ 44,313
District's covered-employee payroll	\$ 44,001	\$ 41,004	\$ 0
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	303.29%	0.00%	0.00%

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

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1

Schedule of District Contributions

Public Employees' Retirement System (PERS)

Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contributions	\$ 5,111	\$ 0	\$ 1,747
Contributions in relation to the contractually required contributions	<u>5,111</u>	<u>0</u>	<u>1,747</u>
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 44,001	\$ 41,004	\$ 0
Contributions as a percentage of its covered-employee payroll	11.62%	0.00%	0.00%

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

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1

Notes to Required Supplementary Information
For the Year Ended December 31, 2015

Budgets and Budgetary Controls

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

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

Public Employees' Retirement System (PERS)

Basis of Presentation

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

Changes of Benefit Terms

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

Changes of Assumptions

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1
Schedule of Supplemental Fire Services Grant Expenditure Report
For the Year Ended December 31, 2015

REVENUE

State of New Jersey Supplemental Fire Services Grant \$ 1,249

Total revenue \$ 1,249

EXPENDITURES

Uniforms and personal equipment \$ 1,249

Total expenditures \$ 1,249

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

To the Board of Fire Commissioners
City of Lambertville Fire District No.1
Lambertville, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities and each major fund of City of Lambertville Fire District No.1 as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise City of Lambertville Fire District No.1's basic financial statements and have issued our report thereon dated August 15, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Lambertville 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 City of Lambertville Fire District No.1's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lambertville 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 City of Lambertville 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of City of Lambertville Fire District No.1 in a separate letter dated August 15, 2016.

Purpose of this Report

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

DePietto & DePietto, LLC

Holland, Pennsylvania
August 15, 2016

CITY OF LAMBERTVILLE FIRE DISTRICT No. 1

General Comments and Recommendations

For the Year Ended December 31, 2015

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

Section I - Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of City of Lambertville Fire District No.1.
2. There were no material weaknesses identified and there were no significant deficiencies reported relating to the audit of the financial statements as reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. There were no instances of noncompliance or other matters reported relating to the audit of the financial statements as reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

Section II – Financial Statement Findings – Current Year

None

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

None

