

**MOUNT HOLLY TOWNSHIP
FIRE DISTRICT NO. 1
County of Burlington**

**REPORT OF AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2014**

MOUNT HOLLY TOWNSHIP FIRE DISTRICT NO.1

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MOUNT HOLLY TOWNSHIP FIRE DISTRICT NO. 1
BOARD OF FIRE COMMISSIONERS

Richard McIlwee
Chairman

Donald Pike
Vice-Chairman

Stefanie Haines
Secretary

Josh Brown
Treasurer

Jason Carty
Commissioner

Financial Section

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INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Mount Holly Township Fire District No. 1
County of Burlington
Mount Holly, New Jersey

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, and each major fund of the Mount Holly Township Fire District No. 1, in the County of Burlington, State of New Jersey, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 the Mount Holly Township Fire District No. 1, in the County of Burlington, State of New Jersey, as of December 31, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mount Holly Township Fire District No. 1's basic financial statements. The related major fund supporting statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated April 17, 2015 on my consideration of the Mount Holly Township Fire District No. 1's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mount Holly Township Fire District No. 1's internal control over financial reporting and compliance.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Registered Municipal Accountant

Marlton, New Jersey
April 17, 2015

INVERSO & STEWART, LLC

Certified Public Accountants

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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
Mount Holly Township Fire District No. 1
County of Burlington
Mount Holly, New Jersey

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 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 of Mount Holly Township Fire District No. 1, in the County of Burlington, State of New Jersey, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements, and have issued my report thereon dated April 17, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Mount Holly Township 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 my 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, I do not express an opinion on the effectiveness of the Mount Holly Township 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 Fire District'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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 Mount Holly Township Fire District No. 1's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fire District'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,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Registered Municipal Accountant

Marlton, New Jersey
April 17, 2015

Required Supplementary Information - Part I

Management's Discussion and Analysis

**Mount Holly Township Fire District No. 1
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2014**

As management of the Mount Holly Township Fire District No. 1, New Jersey (Fire District), we offer readers of the Fire District's financial statements this narrative overview and analysis of the Fire District for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets of the Fire District exceeded its liabilities at the close of the most recent fiscal year by \$394,484.
- Governmental activities have unrestricted net positions of \$155,716.
- The total net position of the Fire District decreased by \$36,203, or an 8.41% decrease from the prior fiscal year-end balance. The majority of the decrease is attributable to the results of operations in the General Fund, depreciation expense, and reduction of capital leases.
- Fund balance of the Fire District's governmental funds decreased by \$30,424 resulting in an ending fund balance of \$374,781. This decrease is due to the results of operations in the General fund.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Fire District's basic financial statements. The basic financial statements are comprised of three components: 1) District-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide Financial Statements

The *district-wide financial statements* are designed to provide the reader with a broad overview of the financial activities in a manner similar to a private-sector business. The district-wide financial statements include the statement of net position and the statement of activities.

The *statement of net position* presents information about all of the Fire District's assets and liabilities. The difference between the assets and liabilities is reported as net position. Over time, changes 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 net position of the Fire District changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flows may be recorded in a future period.

Both of the district-wide financial statements distinguish functions of the Fire District that are supported from taxes and intergovernmental revenues (*governmental activities*). Governmental activities consolidate governmental funds including the General Fund, Capital Projects Fund, Special Revenue Fund and Debt Service Fund.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. All of the funds of the Fire District are *governmental funds*.

Governmental funds account for essentially the same information reported in the governmental activities of the district-wide financial statements. However, unlike the district-wide financial statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financing requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The Fire District maintains four individual governmental funds. The major funds are the General Fund, the Special Revenue Fund, the Capital Projects Fund, and the Debt Service Fund. They are presented separately in the fund financial statements.

The Fire District adopts an annual appropriated budget for the General Fund and the Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with budgetary requirements.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

District-wide Financial Analysis

The assets of the Fire District are classified as current assets and capital assets. Cash, investments, and receivables are current assets. These assets are available to provide resources for the near-term operations of the Fire District.

Capital assets are used in the operations of the Fire District. These assets are land, buildings, improvements, equipment and vehicles. Capital assets are discussed in greater detail in the section titled, Capital Assets and Debt Administration, elsewhere in this analysis.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal year 2015. Long-term liabilities such as long-term debt obligations will be liquidated from resources that will become available after fiscal year 2015.

The assets of the primary government activities exceeded liabilities by \$394,484 with an unrestricted balance of \$155,716. The net position of the primary government does not include internal balances.

A net investment of \$19,703 in land, vehicles and equipment which provide the services to the Fire District's citizens is 4.99% of the total net position. Net position of \$25,000 has been restricted to provide resources for future capital projects and \$194,065 has been restricted for appropriation in the 2015 Budget.

**Mount Holly Township Fire District No. 1
Comparative Statement of Net Position
For the Year Ended December 31, 2014 and 2013**

| | <u>2014</u> | <u>2013</u> |
|----------------------------------|--------------------------|--------------------------|
| Assets: | | |
| Current assets | \$ 387,253 | \$ 455,003 |
| Capital assets | <u>183,640</u> | <u>307,350</u> |
| Total assets | <u>176,409</u> | <u>762,353</u> |
| Liabilities: | | |
| Current Liabilities | 135,179 | 167,728 |
| Noncurrent Liabilities | <u>41,230</u> | <u>163,938</u> |
| Total liabilities | <u>176,409</u> | <u>331,666</u> |
| Net position | <u>\$ 394,484</u> | <u>\$ 430,687</u> |
| Net position consist of: | | |
| Net investment in capital assets | \$ 19,703 | \$ 25,482 |
| Restricted net position | 219,065 | 226,173 |
| Unrestricted net position | <u>155,716</u> | <u>179,032</u> |
| Net position | <u>\$ 394,484</u> | <u>\$ 430,687</u> |

Financial Analysis of the Governmental Funds

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

Governmental Funds - 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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Fire District's governmental funds reported a combined ending fund balance of \$374,781, a decrease of \$30,424 in comparison with the prior year. The decrease is attributable to the results of operations of the General fund.

The unreserved fund balance for the Fire District at the end of the fiscal year includes an unreserved fund balance for the General Fund of \$155,716. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) as restricted cash reserved for future capital outlays of \$25,000 and 2) \$194,065 appropriated as a revenue source in the subsequent year's budget.

**Mount Holly Township Fire District No. 1
Changes in Net Position
For the Year Ended December 31, 2014 and 2013**

| | <u>2014</u> | <u>2013</u> |
|-------------------------------|-------------------|-------------------|
| Revenues: | | |
| General Revenues: | | |
| Property Taxes | \$ 589,208 | \$ 589,208 |
| Unrestricted State Aid | 4,246 | 4,246 |
| Other Revenues | <u>34,945</u> | <u>42,410</u> |
| Total Revenues | <u>628,399</u> | <u>635,864</u> |
| Expenses: | | |
| Governmental Activities: | | |
| Administration | 125,130 | 98,044 |
| Cost of Operations | 394,104 | 308,110 |
| Capital Outlay | 10,327 | 93,256 |
| Interest on long-term Debt | 11,331 | 15,921 |
| Unallocated | <u>123,710</u> | <u>123,711</u> |
| Total Expenses | <u>664,602</u> | <u>639,042</u> |
| Changes in net assets | (36,203) | (3,178) |
| Net position, January 1 | <u>430,687</u> | <u>433,865</u> |
| Net position, December 31 | <u>\$ 394,484</u> | <u>\$ 430,687</u> |

Governmental Activities

Key elements of the decrease in net position for governmental activities are as follows:

- Decrease of long-term debt obligations of \$117,931.
- Depreciation expense of \$123,710.
- Decrease in results of operations in the General Fund of \$30,424.

General Fund Budgetary Highlights

At the end of the current fiscal year, unreserved fund balance of the general fund was \$155,716 while total fund balance was \$374,781. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total general fund expenditures. Actual expenditures of the General Fund including other financing uses amounted to \$529,561. Unreserved fund balance (budgetary basis) represents 29.40% of expenditures while total fund balance represents 70.77% of that same amount.

Capital Asset and Debt Administration

The Fire District's investment in capital assets for its governmental activities as of December 31, 2014, totaled \$183,640 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was \$123,710, or a 40.25% decrease. This decrease is due to depreciation expense.

**Capital Asset (net of accumulated depreciation)
For the Year Ended December 31, 2014 and 2013**

| | <u>2014</u> | <u>2013</u> |
|----------------------------|-------------------|-------------------|
| Land | \$ 74,600 | \$ 74,600 |
| Construction in progress | | |
| Buildings and Improvements | 74,040 | 78,153 |
| Equipment | <u>35,000</u> | <u>154,597</u> |
| Net assets | <u>\$ 183,640</u> | <u>\$ 307,350</u> |

Additional information on the Fire District's capital assets can be found in the notes to the basic financial statements (Note 3) of this report.

Long-term debt – During the fiscal year ended December 31, 2014, the Fire District had \$163,937 outstanding in capital leases payable.

State statutes limit the amount of general obligation debt that the District may issue. At the end of the current fiscal year, the legal debt limit was \$13,004,053. The available amount as of December 31, 2014 is \$13,004,053.

Additional information on the Fire District's debt obligations can be found in the notes to the basic financial statements (Note 4) of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered and incorporated into the preparation of the Fire District's budget for the 2015 calendar year.

- For the 2015 calendar year the Fire District the local tax levy in the General Fund increased by \$28,637, for a total tax levy of \$617,845 and results in a 4.9% tax increase. Operating expenditures continue to increase contractually; however, the District has managed to control costs. The 2015 General Fund Operating Budget is \$3,689 less than the previous year or a 0.43% decrease.

For the Future

The Mount Holly Township Fire District No. 1 is in good financial condition presently. However, a major concern is the ability to provide quality service at an affordable cost.

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

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 Fire District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Mount Holly Township Fire District No. 1 Board of Fire Commissioners, 100 Garden Street, Mount Holly, New Jersey 08060.

Basic Financial Statements

District-Wide Financial Statements

MOUNT HOLLY TOWNSHIP FIRE DISTRICT NO.1
Statement of Net Position
December 31, 2014

| | Governmental Activities |
|----------------------------------|------------------------------------|
| ASSETS: | |
| Cash and cash equivalents | \$ 387,253 |
| Capital assets, net (Note 3) | 183,640 |
| Total assets | 570,893 |
| LIABILITIES: | |
| Accounts payable | 10,562 |
| Interfund payable | 1,910 |
| Noncurrent liabilities (Note 4) | |
| Due within one year | 122,707 |
| Due beyond one year | 41,230 |
| Total liabilities | 176,409 |
| NET POSITION: | |
| Net investment in capital assets | 19,703 |
| Restricted for: | |
| Capital Projects Fund | 25,000 |
| Other purposes | 194,065 |
| Unrestricted | 155,716 |
| Total net position | \$ 394,484 |

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

MOUNT HOLLY TOWNSHIP FIRE DISTRICT NO.1
Statement of Activities
For the Fiscal Year Ended December 31, 2014

| Functions/Programs | Expenses | Indirect Expenses Allocation | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|--|-------------------|------------------------------------|-------------------------|--|---|
| | | | Charges for Services | Operating Grants and Contributions | Governmental Activities |
| Governmental activities: | | | | | |
| Administration: | | | | | |
| Salary and wages | \$ 51,039 | | | | \$ (51,039) |
| Fringe benefits | 3,657 | | | | (3,657) |
| Other expenses | 70,434 | | | | (70,434) |
| Cost of Operations: | | | | | |
| Fire hydrant services | 103,623 | | | | (103,623) |
| Maintenance and repairs | 84,872 | | | | (84,872) |
| Utilities | 45,562 | | | | (45,562) |
| Insurance | 69,080 | | | | (69,080) |
| Training and education | 1,025 | | | | (1,025) |
| Equipment | 35,114 | | | | (35,114) |
| Other expenses | 16,925 | | | | (16,925) |
| Uniform Fire Safety Act | 37,903 | | | | (37,903) |
| Capital Outlay | | | | | |
| Equipment | 10,327 | | | | (10,327) |
| Debt Service: | | | | | |
| Interest and other charges | 11,331 | | | | (11,331) |
| Unallocated | | \$ 123,710 | | | (123,710) |
| Total governmental activities | <u>540,892</u> | <u>123,710</u> | <u>-</u> | <u>-</u> | <u>(664,602)</u> |
| | | | | | |
| Total primary government | <u>\$ 540,892</u> | | <u>-</u> | <u>-</u> | <u>\$ (664,602)</u> |
| | | | | | |
| General revenues: | | | | | |
| Taxes: | | | | | |
| District taxes, levied for general purposes, net | | | | | 589,208 |
| Municipal Assistance | | | | | |
| Federal and State aid not restricted | | | | | 4,246 |
| Uniform Fire Safety Act | | | | | 34,384 |
| Miscellaneous income | | | | | 561 |
| Total general revenues, special items, extraordinary items and transfers | | | | | <u>628,399</u> |
| Change in Net Position | | | | | (36,203) |
| | | | | | |
| Net Position--January 1 | | | | | <u>430,687</u> |
| Net Position--December 31 | | | | | <u>\$ 394,484</u> |

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

Fund Financial Statements

MOUNT HOLLY TOWNSHIP FIRE DISTRICT NO.1
Balance Sheet
Governmental Funds
December 31, 2014

| ASSETS | General Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|---|-------------------|-----------------------------|-------------------------|--------------------------------|
| Assets: | | | | |
| Cash and cash equivalents | \$ 387,253 | | | \$ 387,253 |
| Total assets | <u>\$ 387,253</u> | <u>-</u> | <u>-</u> | <u>\$ 387,253</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | 10,562 | | | 10,562 |
| Interfund payable | 1,910 | | | 1,910 |
| Total liabilities | <u>12,472</u> | | <u>-</u> | <u>12,472</u> |
| Fund Balances: | | | | |
| Restricted Fund Balance: | | | | |
| Reserved for future capital outlays | 25,000 | | | 25,000 |
| Reserved for: | | | | |
| Legally restricted - designated for subsequent year's expenditures | 194,065 | | | 194,065 |
| Unreserved, reported in: | | | | |
| General fund | 155,716 | | | 155,716 |
| Total fund balances | <u>374,781</u> | | | <u>374,781</u> |
| Total liabilities and fund balances | <u>\$ 387,253</u> | <u>-</u> | <u>-</u> | |

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

| | |
|--|-------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$1,797,370 and the accumulated depreciation is \$1,613,730. | 183,640 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. | <u>(163,937)</u> |
| Net position of governmental activities | <u>\$ 394,484</u> |

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

MOUNT HOLLY TOWNSHIP FIRE DISTRICT NO.1
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
for the Fiscal Year Ended December 31, 2014

| | General Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|--|-----------------|-----------------------------|-------------------------|--------------------------------|
| REVENUES: | | | | |
| Local sources: | | | | |
| Local tax levy | \$ 459,946 | | \$ 129,262 | \$ 589,208 |
| Uniform Fire Safety Act | 34,384 | | | 34,384 |
| Miscellaneous | 561 | | | 561 |
| Total revenues-local sources | 494,891 | | 129,262 | 624,153 |
| State sources | 4,246 | | | 4,246 |
| Total revenues | 499,137 | - | 129,262 | 628,399 |
| EXPENDITURES: | | | | |
| Current expense: | | | | |
| Administration: | | | | |
| Salary and wages | 51,039 | | | 51,039 |
| Fringe benefits | 3,657 | | | 3,657 |
| Other expenses | 70,434 | | | 70,434 |
| Cost of Operations: | | | | |
| Fire hydrant services | 103,623 | | | 103,623 |
| Maintenance and repairs | 84,872 | | | 84,872 |
| Utilities | 45,562 | | | 45,562 |
| Insurance | 69,080 | | | 69,080 |
| Training and education | 1,025 | | | 1,025 |
| Equipment | 35,114 | | | 35,114 |
| Other expenses | 16,925 | | | 16,925 |
| Uniform Fire Safety Act | 37,903 | | | 37,903 |
| Capital Outlay | | | | |
| Equipment | 10,327 | | | 10,327 |
| Debt Service: | | | | |
| Principal | | | 117,931 | 117,931 |
| Interest and other charges | | | 11,331 | 11,331 |
| Total expenditures | 529,561 | - | 129,262 | 658,823 |
| Excess (deficiency) of revenues over (under) expenditures | (30,424) | - | - | (30,424) |
| Other Financing Sources (Uses): | | | | |
| Transfers in | | | | |
| Transfers out | | | | |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balance | (30,424) | | | (30,424) |
| Fund balances, January 1 | 405,205 | | - | 405,205 |
| Fund balances, December 31 | \$ 374,781 | - | - | \$ 374,781 |

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

**MOUNT HOLLY TOWNSHIP FIRE DISTRICT NO.1
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 for the Fiscal Year Ended December 31, 2014**

| | | |
|--|-----------|-----------|
| Total net change in fund balances - governmental funds (from B-2) | \$ | (30,424) |
| Amounts reported for governmental activities in the statement of activities (A-2) are different because: | | |
| <p>Capital outlays are reported in the governmental funds as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.</p> | | |
| Capital Additions | | |
| Depreciation expense | (123,710) | (123,710) |
| <p>Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is reported in the statement of activities.</p> | | |
| | | 117,931 |
| | | |
| Change in net position of governmental activities | \$ | (36,203) |

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

MOUNT HOLLY TOWNSHIP FIRE DSTRIC NO.1
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2014

| | <u>Agency Fund</u> |
|-------------------------------------|------------------------|
| ASSETS: | |
| Interfund receivable | <u>\$ 1,910</u> |
| Total assets | <u>\$ 1,910</u> |
| | |
| LIABILITIES: | |
| Payroll deductions and withholdings | <u>\$ 1,910</u> |
| Total liabilities | <u>\$ 1,910</u> |
| | |
| NET POSITION | <u><u>-</u></u> |

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

Mount Holly Township Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity - Mount Holly Township Fire District No. 1 is located in Burlington County, New Jersey and covers an area of approximately 2.9 square miles. It is a political subdivision of the Township of Mount Holly and was formed through the adoption of a Township ordinance. As of the 2010 United States Census, the Township's population was 9,544. 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 District charged with the responsibility of providing fire fighting services to the residents within its territorial location. Mount Holly Township Fire District No. 1 has two fire companies within its jurisdiction.

Component Units - GASB Statement No. 14 and GASB No. 39, provide guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that meet the criteria established by GASB statements No. 14 and No. 39. In addition, GASB Statement No. 61, provides additional guidance for organizations that do not meet the financial accountability criteria for inclusion as component units but that nevertheless should be included because the primary government's management determines that it would be misleading to exclude them. As of December 31, 2014, it has been determined by the District that no component units exist.

Basis of Presentation -The financial statements of the Fire District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local 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.

The district's basic financial statements consists of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Statements - The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government. Elimination's have been made to minimize the double counting of internal activities. The Statement of Net Position presents the financial condition of the governmental activities of the District at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, are clearly identifiable to a particular function. Indirect expenses are not allocated to programs. Program revenues include charges paid by the recipients of goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level reporting. The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are two categories of funds: governmental and fiduciary.

Mount Holly Township Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Fire District's major governmental funds:

General Fund - The General Fund is the general operating fund of the Fire District and is used to account for all expendable financial resources except those required to be accounted for in another fund. The acquisition of certain capital assets, such as fire fighting 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 the proceeds of specific revenue sources, such as state or federal government grants and appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities such as fire houses. The financial resources are derived from temporary notes or serial 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 resources that will be used to service principal and interest payments on general long-term liabilities.

Fiduciary Funds - Fiduciary Funds focus on Net Position and changes in Net Position. The fiduciary fund category is used to account for assets held by the Fire District in a trustee capacity or as an agent for individuals, private organizations and other governments. The Fiduciary Funds are not included in the government-wide financial statements. The Fire District maintains the following fiduciary fund:

Agency Funds - Agency funds are used to account for the assets held by the Fire District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds include the Payroll Fund.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Fire District are included on the statement of Net Position.

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

Mount Holly Township Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting - Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues and Expenses - Revenues are recorded when they are determined to be 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.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds

Fire District Taxes - Upon the proper certification to the assessor of the municipality in which the Fire District is located, the assessor shall assess the amount of taxes to be raised in support of the Fire District's budget in the same manner as all other municipal taxes. The collector or treasurer of the municipality shall then pay over to the treasurer or custodian of funds of the Fire District the taxes assessed in accordance with the following 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.

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:14-78.3.

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 the approval of the legal voters. If the voters reject the budget, the Township Council is required to review and determine the annual budget. Amounts reported under the final budget on Exhibit C-1, includes modifications to the adopted budget that were made during the year as approved by the Board of Commissioners.

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, other than the special revenue fund, are reported as reservations of fund balances at fiscal 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 special revenue fund, for which the Fire District has received advances, are reflected in the balance sheet as unearned revenues at fiscal year end.

The encumbered appropriation District 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 amount as of the current fiscal year end.

Mount Holly Township Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Investments - Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost. Consequently, unrealized gain or loss on investments has not been recorded in accordance with Governmental Accounting Standards Board Statement No. 31.

Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost. Consequently, unrealized gain or loss on investments has not been recorded in accordance with Governmental Accounting Standards Board Statement No. 31.

New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local utilities and other state agencies.

N.J.S.A. 17:9-41et 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.

The cash management plan adopted by the Fire District requires it to deposit funds in public depositories protected from loss under the provisions of the Act.

Inventories and Prepaid Expenses - Inventories and prepaid expenses which benefit future periods, other than those recorded in the enterprise funds, are recorded as an expenditure during the year of purchase.

Short-Term Interfund Receivables / Payables - Short-term interfund receivables / payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Fire District and that are due within one year. These amounts are eliminated in the governmental column of the Statement of Net Position

Capital Assets

These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are valued at their estimated fair market value on the date received. The Fire District maintains a capitalization threshold of \$5,000. The Fire District does not possess any infrastructure. Improvements are capitalized; the cost of normal repairs and maintenance that do not add to the value of the asset or materially extend assets' lives are not. All reported capital assets except land, land improvements and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Mount Holly Township Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Depreciation is computed using the straight-line method over the following useful lives:

| Asset Class | Governmental Activities Estimated Lives |
|-------------------------|---|
| Buildings | 30 years |
| Building Improvements | 20 years |
| Machinery and Equipment | 5-20 years |
| Vehicles | 5-20 years |

N.J.S.A. 40A:14-84 governs the procedures for the acquisition of property and equipment for Fire Districts, and N.J.S.A. 40A:14-85 to 87 governs procedures for the issuance of any debt related to such purchases. In summary, Fire districts may purchase fire fighting apparatus and equipment and land and buildings to house such property in an amount not exceeding 5 mils on the dollar of the last assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or two percent (2%) of the assessed valuation of property, whichever is larger.

Compensated Absences - Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are 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.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid with expendable available financial resources. In proprietary funds, the entire amount of compensated absences is recorded as a fund liability.

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

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund 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 fund financial statements when due.

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.

Mount Holly Township Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

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 law 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.

It is the Fire District's policy to apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

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" criteria includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted – This 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 (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This 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. 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 imposing the commitment.

Assigned – This 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. The Board of Fire Commissioners has the authority to assign amounts to be used for specific purposes.

Unassigned – This fund balance classification is the residual classification for the General Fund. It 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 an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the Fire District's policy to spend restricted fund balances first. Likewise, when an expenditure is 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, then unassigned.

Interfunds – 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.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United State 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.

Mount Holly Township Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2014

NOTE 2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits – Custodial credit risk refers to the risk that, in the event of a bank failure, the District’s deposits may 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 Unit. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust 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 shown as uninsured and uncollateralized. Of the Fire District’s amount on deposit of \$473,625 as of December 31, 2014, \$250,000 was insured under FDIC and the remaining balance of \$223,625 was collateralized under GUDPA.

3. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2014, was as follows:

| | <u>Balance</u> <u>December 31,</u> <u>2013</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance</u> <u>December 31,</u> <u>2014</u> |
|---|--|-----------------------------|-----------------------------|--|
| Governmental Activities: | | | | |
| <i>Capital Assets, not being depreciated:</i> | | | | |
| Land | \$ 74,600 | | | \$ 74,600 |
| Construction in progress | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total capital assets, not being Depreciated | <u>74,600</u> | <u> </u> | <u> </u> | <u>74,600</u> |
| <i>Capital Assets, being depreciated:</i> | | | | |
| Site Improvements | | | | |
| Building and Building Improvements | 123,400 | | | 123,400 |
| Equipment | <u>1,599,370</u> | <u> </u> | <u> </u> | <u>1,599,370</u> |
| Totals at historical cost | <u>1,722,770</u> | <u> </u> | <u> </u> | <u>1,722,770</u> |
| <i>Less Accumulated Depreciation:</i> | | | | |
| Site Improvements | | | | |
| Building and Building Improvements | (45,247) | \$ (4,113) | | (49,360) |
| Equipment | <u>(1,444,773)</u> | <u>(119,597)</u> | <u> </u> | <u>(1,564,370)</u> |
| Totals accumulated depreciation | <u>(1,490,020)</u> | <u>(123,710)</u> | <u> </u> | <u>(1,613,730)</u> |
| Total Capital Assets, being depreciated, net | <u>232,750</u> | <u>(123,710)</u> | <u> </u> | <u>109,040</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 307,350</u> | <u>\$ (123,710)</u> | <u>\$ ---</u> | <u>\$ 183,640</u> |

Depreciation expense in the amount of \$123,710 was charged to governmental functions as follows:

| <u>Function</u> | <u>Amount</u> |
|-----------------|-----------------------------|
| Unallocated | \$ 123,710 |
| | <u> </u> |
| Total | <u>\$ 123,710</u> |

Mount Holly Township Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2014

4. LONG-TERM OBLIGATIONS

During the fiscal year ended December 31, 2014, the following changes occurred in long-term obligations:

| | <u>Principal Outstanding January 1, 2014</u> | <u>Additions</u> | <u>Reductions</u> | <u>Principal Outstanding December 31, 2014</u> | <u>Amounts Due Within One Year</u> |
|------------------------|--|------------------|-------------------|--|--|
| Capital Leases Payable | \$ 281,868 | | \$ 117,931 | \$ 163,937 | \$ 122,707 |
| | <u>\$ 281,868</u> | | <u>\$ 117,931</u> | <u>\$ 163,937</u> | <u>\$ 122,707</u> |

Bonds Payable – The District had no bonds outstanding as of December 31, 2014

Capital Lease Payable – The Fire District is leasing with option to purchase three Fire Trucks. The first truck totaled \$350,000 at an interest rate of 4.24% and a lease term of ten years. The second truck totaled \$345,971 at an interest rate of 4.06% and a lease term of ten years. The third truck totaled \$350,000 at an interest rate of 3.84% and a lease term of ten years. The following is a schedule of the future minimum lease payments under these capital leases at December 31, 2013.

| <u>Year ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|-------------------|-----------------|-------------------|
| 2015 | \$ 122,707 | \$ 6,555 | \$ 129,262 |
| 2016 | <u>41,230</u> | <u>1,584</u> | <u>42,814</u> |
| Total | <u>\$ 163,937</u> | <u>\$ 8,139</u> | <u>\$ 172,076</u> |

5. OPERATING LEASES

At December 31, 2014, the Fire District had lease agreements in effect for the following:

Operating:
Two (2) Copiers

Operating Leases – Future minimum lease payments under the operating lease agreement is as follows:

| <u>Fiscal Year Ended</u> | <u>Amount</u> |
|--------------------------|---------------|
| 2015 | <u>\$ 882</u> |
| | <u>\$ 882</u> |

Rental payments under the operating lease for the year 2014 were \$3,528.

Mount Holly Township Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2014

6. 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; employee health and accident claims; and natural disasters. The District has chosen to purchase insurance to transfer risk to outside parties.

Property and Liability Insurance – The District maintains commercial insurance for all risks of loss, including property, liability, employee health, accident insurance and public official surety bonds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

7. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances were recorded on the various balance sheets as of December 31, 2014:

| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|----------------|---------------------------------|------------------------------|
| General Fund | \$ 1,910 | |
| Fiduciary Fund | | \$ 1,910 |
| | <u>\$ 1,910</u> | <u>\$ 1,910</u> |

8. PROPERTY TAXES

The following is a five year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous four years.

Comparative Schedule of Tax Rates

| | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2010</u> |
|----------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Tax Rate | \$ <u>0.091</u> | \$ <u>0.091</u> | \$ <u>0.090</u> | \$ <u>0.090</u> | \$ <u>0.179</u> |

Assessed Valuation

| | | | | | |
|------|----------------|----------------|----------------|----------------|----------------|
| 2014 | \$ 650,202,657 | | | | |
| 2013 | | \$ 654,512,934 | | | |
| 2012 | | | \$ 657,220,422 | | |
| 2011 | | | | \$ 658,864,384 | |
| 2010 | | | | | \$ 317,861,987 |

**Mount Holly Township Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2014**

9. FUND BALANCES

The Fire District has classified its fund balances with the following hierarchy:

Nonspendable – The Fire District does not have any nonspendable funds.

Spendable – The Fire District has classified the spendable fund balances as *Restricted, Assigned and Unassigned* and considered each to have been spent when expenditures are incurred. The Fire District currently has no funds classified as *Committed*.

Restricted Items:

Reserve for Future Capital Outlays – As of December 31, 2014, the balance in the Reserve for future capital outlays is \$25, 000.

Assigned:

Designated for Subsequent Year’s Expenditures – The Fire District has assigned a total of \$194,065 for appropriation of existing unassigned fund balance at year-end to eliminate a deficit in the upcoming 2015 budget.

Unassigned items - Represents the remainder of the Fire District’s equity in governmental fund type balances. The balance at December 31, 2014 is \$155,716.

The following presents the assigned and unassigned fund balance as of the last five years and the amount utilized in the subsequent year’s budget:

| <u>Year</u> | <u>Balance</u> <u>Dec. 31,</u> | <u>Utilized In</u> <u>Budget Of</u> <u>Succeeding Year</u> | <u>Percentage</u> <u>Budget of</u> <u>Succeeding Year</u> |
|-------------|-----------------------------------|--|---|
| 2014 | \$ 374,781 | \$ 194,065 | 51.78% |
| 2013 | 405,205 | 226,173 | 55.82% |
| 2012 | 452,413 | 218,503 | 48.30% |
| 2011 | 440,737 | 214,099 | 48.58% |
| 2010 | 357,636 | 158,274 | 44.26% |

Required Supplementary Information - Part II

Budgetary Comparison Schedules

MOUNT HOLLY TOWNSHIP FIRE DISTRICT NO.1
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended December 31, 2014

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|----------------------------------|--------------------|---------------------|-----------------|----------------|--------------------------------|
| REVENUES: | | | | | |
| Local sources: | | | | | |
| Local tax levy | \$ 459,946 | | \$ 459,946 | \$ 459,946 | |
| Uniform Fire Safety Act | 33,450 | | 33,450 | 34,384 | \$ 934 |
| Miscellaneous | 100 | | 100 | 561 | 461 |
| Total local sources | 493,496 | | 493,496 | 494,891 | 1,395 |
| State sources: | | | | | |
| Supplemental Fire Services Grant | 4,246 | | 4,246 | 4,246 | |
| Total state sources | 4,246 | | 4,246 | 4,246 | |
| TOTAL REVENUES | 497,742 | | 497,742 | 499,137 | 1,395 |
| EXPENDITURES: | | | | | |
| GENERAL EXPENSE: | | | | | |
| Administration: | | | | | |
| Salaries and wages | 56,500 | \$ (1,000) | 55,500 | 51,039 | 4,461 |
| Fringe benefits | 4,000 | 1,200 | 5,200 | 3,657 | 1,543 |
| Other Expenses: | | | | | |
| Advertising | 1,500 | | 1,500 | 1,377 | 123 |
| Public Relations | 1,600 | 250 | 1,850 | 1,611 | 239 |
| Training & Education | 5,000 | (2,500) | 2,500 | | 2,500 |
| Information Technology | 10,400 | 6,500 | 16,900 | 16,450 | 450 |
| Copier expense | 2,500 | 300 | 2,800 | 2,362 | 438 |
| Election expense | 1,500 | | 1,500 | 1,227 | 273 |
| Postage/Supplies/Software | 1,350 | 1,000 | 2,350 | 1,950 | 400 |
| Dues & Subscription | 1,190 | | 1,190 | 518 | 672 |
| Professional services | 56,000 | (9,500) | 46,500 | 44,939 | 1,561 |
| Total Administration | 141,540 | (3,750) | 137,790 | 125,130 | 12,660 |

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

(CONTINUED TO NEXT PAGE)

MOUNT HOLLY TOWNSHIP FIRE DISTRICT NO.1
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended December 31, 2014

| (Continued from prior page) | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|---|--------------------|---------------------|-----------------|----------------|--------------------------------|
| Cost of Operations: | | | | | |
| Other Expenses: | | | | | |
| Apparatus Officer | \$ 2,000 | | \$ 2,000 | \$ 2,000 | |
| Insurance | 75,000 | \$ (5,750) | 69,250 | 69,080 | \$ 170 |
| Health and Fitness | 2,500 | | 2,500 | 897 | 1,603 |
| Communication Maintenance | 1,500 | | 1,500 | | 1,500 |
| Maintenance & repairs-building | 48,200 | 8,600 | 56,800 | 56,763 | 37 |
| Maintenance & repairs-equipment | 9,500 | 3,550 | 13,050 | 9,244 | 3,806 |
| Maintenance & repairs-vehicles | 20,000 | | 20,000 | 18,865 | 1,135 |
| Fire hydrant rentals | 125,000 | | 125,000 | 103,623 | 21,377 |
| Rental charges: | | | | | |
| Relief Fire Co. | 8,000 | (4,150) | 3,850 | 432 | 3,418 |
| First aid | 2,500 | | 2,500 | | 2,500 |
| Volunteer Incentive | 15,000 | (10,000) | 5,000 | 3,909 | 1,091 |
| Fuel | 7,000 | | 7,000 | 3,694 | 3,306 |
| Member Recognition | 10,000 | | 10,000 | 420 | 9,580 |
| Dues and subscriptions | 200 | | 200 | | 200 |
| County Association | 1,000 | | 1,000 | 250 | 750 |
| Exempt Association | 1,000 | | 1,000 | 743 | 257 |
| Supplies and materials | 3,500 | | 3,500 | 785 | 2,715 |
| Uniforms | 10,000 | (1,500) | 8,500 | 3,795 | 4,705 |
| Training and education | 10,000 | (5,000) | 5,000 | 1,025 | 3,975 |
| Utilities | 40,000 | 6,000 | 46,000 | 45,562 | 438 |
| Contingency | | | | | |
| Non-bondable equipment | 25,000 | 12,000 | 37,000 | 35,114 | 1,886 |
| Total Other Expense | <u>416,900</u> | <u>3,750</u> | <u>420,650</u> | <u>356,201</u> | <u>64,449</u> |
| Total Cost of Operations | <u>416,900</u> | <u>3,750</u> | <u>420,650</u> | <u>356,201</u> | <u>64,449</u> |
| Appropriations Off-Set with Revenues: | | | | | |
| Salaries and wages | 24,500 | 2,000 | 26,500 | 26,444 | 56 |
| Payroll Taxes | 2,000 | 750 | 2,750 | 2,122 | 628 |
| Other Expenses: | | | | | |
| Miscellaneous | | | | | |
| Dues and subscriptions | 3,275 | (1,425) | 1,850 | 1,751 | 99 |
| Fire prevention services | 3,000 | (1,250) | 1,750 | 1,617 | 133 |
| Office supplies/ Computer | 1,000 | (100) | 900 | 360 | 540 |
| Copier Lease | 2,000 | | 2,000 | 1,696 | 304 |
| Postage | 200 | | 200 | 196 | 4 |
| Uniforms and badges | 300 | | 300 | 10 | 290 |
| Vehicle Maintenance | 1,500 | (600) | 900 | 825 | 75 |
| Insurance | 1,700 | | 1,700 | 1,497 | 203 |
| Communication | 1,000 | 625 | 1,625 | 1,385 | 240 |
| Total Appropriations Off-Set with Revenues | <u>40,475</u> | <u>625</u> | <u>40,475</u> | <u>37,903</u> | <u>2,572</u> |

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

(CONTINUED TO NEXT PAGE)

MOUNT HOLLY TOWNSHIP FIRE DISTRICT NO.1
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended December 31, 2014

| (Continued from prior page) | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|---|--------------------|---------------------|-------------------|-------------------|--------------------------------|
| EXPENDITURES: | | | | | |
| CAPITAL APPROPRIATIONS: | | | | | |
| Facility and Site Improvements | \$ 100,000 | | \$ 100,000 | \$ 10,327 | \$ 89,673 |
| Reserve for Future Capital Outlay | 25,000 | | 25,000 | | 25,000 |
| Total Capital Appropriations | <u>125,000</u> | | <u>125,000</u> | <u>10,327</u> | <u>114,673</u> |
| Total Expenditures | <u>723,915</u> | | <u>723,915</u> | <u>529,561</u> | <u>194,354</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures: | <u>(226,173)</u> | | <u>(226,173)</u> | <u>(30,424)</u> | <u>195,749</u> |
| Fund Balance, January 1 | <u>405,205</u> | | <u>405,205</u> | <u>405,205</u> | |
| Fund Balance, December 31 | <u>\$ 179,032</u> | <u>-</u> | <u>\$ 179,032</u> | <u>\$ 374,781</u> | <u>\$ 195,749</u> |
| Recapitulation of Fund Balance: | | | | | |
| Restricted Fund Balance: | | | | | |
| Reserve for Future Capital Outlays | | | | \$ 25,000 | |
| Assigned Fund Balance: | | | | | |
| Designated for Subsequent Year's Expenditures | | | | 194,065 | |
| Unassigned Fund Balance | | | | <u>155,716</u> | |
| Fund Balance per Governmental Funds (GAAP) | | | | <u>\$ 374,781</u> | |

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

MOUNT HOLLY TOWNSHIP FIRE DISTRICT NO.1
Notes to Required Supplementary Information
Budgetary Comparison

**Explanation of Differences between Budgetary Inflows and Outflows and GAAP
Revenues and Expenditures**

| | <u>General Fund</u> |
|---|-------------------------|
| Sources/inflows of resources | |
| Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules | \$ 499,137 |
| Difference - budget to GAAP: Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized. | <hr/> |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. | \$ <u>499,137</u> |
| Uses/outflows of resources | |
| Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule | \$ 529,561 |
| Differences - budget to GAAP 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. | <hr/> |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | \$ <u>529,561</u> |

Other Supplementary Information

Fiduciary Funds

MOUNT HOLLY TOWNSHIP FIRE DISTRICT NO.1
Fiduciary Funds
Statement of Net Position
December 31, 2014

| | <u>Agency Funds</u> |
|-------------------------------------|---------------------|
| | <u>Payroll</u> |
| ASSETS: | |
| Interfund receivable | \$ 1,910 |
| Total Assets | <u>\$ 1,910</u> |
| | |
| LIABILITIES : | |
| Payroll deductions and withholdings | \$ 1,910 |
| Total Liabilities | <u>\$ 1,910</u> |
| | |
| NET POSITION: | |
| Total Net Position | <u>-</u> |

MOUNT HOLLY TOWNSHIP FIRE DISTRICT NO.1
Payroll Agency Fund
 Schedule of Receipts and Disbursements
 for the Fiscal Year ended December 31, 2014

| | <u>Balance January 1, 2014</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance December 31, 2014</u> |
|--|------------------------------------|------------------|------------------|--------------------------------------|
| ASSETS: | | | | |
| Cash and cash equivalents | | \$ 76,907 | \$ 76,907 | |
| Interfund receivable | \$ 1,334 | 576 | | \$ 1,910 |
| Total assets | <u>\$ 1,334</u> | <u>\$ 77,483</u> | <u>\$ 76,907</u> | <u>\$ 1,910</u> |
| LIABILITIES: | | | | |
| Payroll deductions and withholdings | \$ 1,334 | \$ 12,823 | \$ 12,247 | \$ 1,910 |
| Net payroll | | 65,660 | 65,660 | |
| Total liabilities | <u>\$ 1,334</u> | <u>\$ 78,483</u> | <u>\$ 77,907</u> | <u>\$ 1,910</u> |

Long-Term Debt Schedules

MOUNT HOLLY FIRE DISTRICT NO.1
General Long-Term Debt Account Group
 Statement of Capital Leases Payable
 December 31, 2014

| | <u>Interest Rate</u> | <u>Amount of Original Issue</u> | <u>Balance January 1, 2014</u> | <u>Issued</u> | <u>Retired</u> | <u>Balance December 31, 2014</u> |
|-------------------|--------------------------|---|------------------------------------|---------------|-------------------|--------------------------------------|
| Pumper/Fire Truck | 4.24% | \$ 350,000 | \$ 81,562 | | \$ 39,970 | \$ 41,592 |
| Pumper/Fire Truck | 4.06% | 345,971 | 81,137 | | 39,726 | 41,411 |
| Pumper/Fire Truck | 3.84% | 350,000 | 119,169 | | 38,235 | 80,934 |
| Total | | | <u>\$ 281,868</u> | | <u>\$ 117,931</u> | <u>\$ 163,937</u> |

MOUNT HOLLY TOWNSHIP FIRE DISTRICT NO.1
Budgetary Comparison Schedule
Debt Service Fund
Fiscal Year Ended December 31, 2014

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|--|--------------------|---------------------|--------------------|--------------------|--------------------------------|
| REVENUES: | | | | | |
| Local sources: | | | | | |
| Local tax levy | \$ 129,262 | | \$ 129,262 | \$ 129,262 | |
| Total revenues - local sources | <u>129,262</u> | | <u>129,262</u> | <u>129,262</u> | |
| Total Revenues | <u>129,262</u> | | <u>129,262</u> | <u>129,262</u> | |
| EXPENDITURES: | | | | | |
| Regular debt service: | | | | | |
| Interest | 11,331 | | 11,331 | 11,331 | |
| Redemption of principal | 117,931 | | 117,931 | 117,931 | |
| Total Expenditures | <u>129,262</u> | | <u>129,262</u> | <u>129,262</u> | |
| Excess (Deficiency) of revenues over (under) expenditures | | | | | |
| Fund Balances, January 1 | | | | | |
| Fund Balances, December 31 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

General Comments and Recommendations

SCHEDULE OF FINANCIAL STATEMENT FINDINGS

This section identifies the reportable conditions, 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 the requirements as prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey.

None

**SUMMARY SCHEDULE OF PRIOR YEAR REPORTABLE CONDITIONS
AND OTHER FINDINGS AS PREPARED BY MANAGEMENT**

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

There were no prior year audit findings requiring corrective action.

APPRECIATION

I express my appreciation for the assistance and courtesies extended to the audit team by the Fire District Commissioners during the course of the audit.

Respectfully submitted,

INVERSO & STEWART, LLC



Robert P. Inverso
Certified Public Accountant
Registered Municipal Accountant

April 17, 2015