

**WESTVILLE FIRE DISTRICT NO. 1
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2016**

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WESTVILLE FIRE DISTRICT NO. 1

ROSTER OF OFFICIALS

Fritz Sims	Chairman/Treasurer
Bryan Miller	Vice Chairman
Deborah Holick	Secretary
William Marsden	Commissioner
Richard Moan	Commissioner

OTHER OFFICIALS

Charles Murtaugh	Administrator
Gary D. Thompson, Esquire	Solicitor
Eric Farley	Fire Chief
James Tucker	Fire Safety Official

FINANCIAL SECTION

PETRONI & ASSOCIATES LLC

Certified Public Accountants • Registered Municipal Accountants
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MEMBER: AMERICAN INSTITUTE OF
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Nick L. Petroni, CPA, RMA

Mary A. Carey, RMA
Wendy G. Fama, CPA
Denise R. Nevico, CPA
Jeffrey T. Ridgway, CPA
Deanna L. Roller, CPA, RMA

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
of the Fire District
Westville Fire District No. 1
23 West Olive Street
Westville, New Jersey 08093

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the, Westville Fire District No. 1, as of December 31, 2016, and the related notes to the financial statements, which collectively comprise the Westville Fire District No. 1'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Westville Fire District No. 1, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Westville Fire District No. 1's basic financial statements. The combining and individual non-major fund financial statements is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual non-major fund financial statements is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting 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 our opinion, the combining and individual non-major fund financial statements, listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Predecessor Auditor

The financial statements of the governmental activities, each major fund and the aggregate remaining fund information and the related notes to the financial statements for the year ended December 31, 2015, was audited by a predecessor auditor. The predecessor auditor issued an Unmodified Opinion on the financial statements.

The predecessor audit report was dated October 28, 2016.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2017, on our consideration of the Westville Fire District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Westville Fire District No. 1's internal control over financial reporting and compliance.

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252

April 21, 2017

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**WESTVILLE FIRE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

INTRODUCTION

The Westville Board of Fire Commissioners for Westville Fire District No. 1, hereinafter referred to as the "Fire District" is pleased to present the Annual Financial Report developed in accordance with State of Governmental Accounting Standard No. 34 entitled, "Basic Financial Statement - Management's Discussion and Analysis - For State & Local Governments" (hereinafter "GASB 34") and related standards.

MISSION

The mission of the Westville Fire District No. 1 is to provide a professional level of community fire protection, emergency medical and rescue services to the citizens and property owners within the Borough of Westville, in order to prevent or minimize the loss of life, pain and suffering and property damage as a result of fire or other type of emergency. The Fire District's mission will be accomplished by the effective use of its volunteer, career, and physical resources, in cooperation with other public agencies, utilizing state-of-the-art equipment, innovative techniques, and available technology to provide a high level of cost efficient, quality service.

RESPONSIBILITY AND CONTROL

The Fire District has prepared and is responsible for the financial statements and related information in this report. The opinion of the independent auditors, Petroni & Associates LLC, is included in this report. In management's opinion the financial statements represent fairly and in all material aspects, financial position, and results of operations of the Fire District for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

SUMMARY OF ORGANIZATION AND BUSINESS

The Fire District is a taxing authority charged with the duty to prevent and extinguish fires and regulate fire hazards (NJSA 40A:14-81).

The Fire District was created for the purpose of fire suppression and prevention and operating a fire department for said purpose. The Fire District's responsibilities are carried out by a combination of full-time and part-time paid professional firefighters as well as a volunteer force.

MANAGEMENT OVERSIGHT

The Westville Board of Fire Commissioners consists of five board members who are elected by the residents of the Borough of Westville for 3 years in alternate time periods.

**WESTVILLE FIRE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

FINANCIAL HIGHLIGHTS

STATEMENT OF NET POSITION

	2016	2015
ASSETS		
Current and Other Assets	\$ 425,763.13	\$ 325,779.13
Capital Assets	1,097,656.58	1,424,368.73
Total Assets	1,523,419.71	1,750,147.86
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pension	136,845.00	61,625.00
LIABILITIES		
Other Liabilities	97,929.44	47,039.03
Noncurrent Liabilities	514,742.87	567,280.66
Net Pension Liability	448,465.00	332,726.00
Total Liabilities	1,061,137.31	947,045.69
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pension		1,585.00
NET POSITION		
Invested in Capital Assets		
Net of Related Debt	582,913.71	857,088.07
Restricted	64,824.00	22,624.00
Assigned	30,000.00	47,209.00
Unassigned	(78,610.31)	(63,778.90)
Total Net Position	\$ 599,127.40	\$ 863,142.17

The Fire District's combined net position on December 31, 2016 and 2015, was \$599,127.40 and \$863,142.17, respectively. This was a decrease of \$263,714.77.

The tax rate for 2016, 2015, 2014, and 2013 was \$.181, \$.16, \$.146, and \$.126, respectively, per \$100.00 of assessed valuation.

The budget utilized fund balance in 2016, 2015, 2014, and 2013, of \$47,209.00, \$19,816.00, \$34,000.00, and \$79,413.00, respectively.

**WESTVILLE FIRE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

FINANCIAL HIGHLIGHTS (CONTINUED)

Change in Net Position

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
Revenues:			
Program Revenues:			
Charges for Services	\$ 16,818.79	\$ 166,779.62	\$ (149,960.83)
General Revenue:			
Taxes:			
Property Tax Revenue - General	354,440.00	361,976.00	(7,536.00)
Taxes Levied for Debt Service	72,361.00	17,326.00	55,035.00
Miscellaneous Income	167,889.89	144,488.02	23,401.87
Investment Earnings	975.48	954.69	20.79
Loss on Disposal of Assets	(193,814.13)		(193,814.13)
Total Revenue	<u>418,671.03</u>	<u>691,524.33</u>	<u>(272,853.30)</u>
Expenses:			
Operating Appropriations:			
Administration	92,340.46	81,901.16	10,439.30
Cost of Operations and Maintenance	399,941.75	349,785.90	50,155.85
Fire Marshall's Office	5,122.79	73,409.92	(68,287.13)
First Aid/Ambulance	21,613.16		21,613.16
Length of Service Award Program	11,082.56	19,236.81	(8,154.25)
Interest on Debt	19,687.06	8,742.84	10,944.22
Unallocated Depreciation	132,898.02	136,949.71	(4,051.69)
Total Expenses	<u>682,685.80</u>	<u>670,026.34</u>	<u>12,659.46</u>
Increase (Decrease) in Net Position	<u>\$ (264,014.77)</u>	<u>\$ 21,497.99</u>	<u>\$ (285,512.76)</u>

**WESTVILLE FIRE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

FINANCIAL HIGHLIGHTS (CONTINUED)

Change in Fund Balance

	Actual		Increase (Decrease)
	2016	2015	
Revenues:			
Fund Balance	\$ 47,209.00	\$ 19,816.00	\$ (27,393.00)
Miscellaneous Revenue	216,710.23	313,578.65	96,868.42
Capital Lease		549,950.00	549,950.00
Amount to be Raised by Taxation	426,801.00	379,302.00	(47,499.00)
Total Revenues	<u>690,720.23</u>	<u>1,262,646.65</u>	<u>571,926.42</u>
Appropriations:			
Administrative	92,340.46	81,901.16	(10,439.30)
Cost of Operations and Maintenance	374,054.75	395,763.70	21,708.95
Fire Marshall's Office	5,122.79	73,409.92	68,287.13
First Aid/Ambulance	21,613.16		(21,613.16)
Length of Service Award Program	11,082.56	19,236.81	8,154.25
Total Operating Appropriations	<u>504,213.72</u>	<u>570,311.59</u>	<u>66,097.87</u>
Other Appropriations:			
Capital Appropriations		847,200.00	847,200.00
Prior Period Adjustment	20,976.07	1,356.32	(19,619.75)
Authorized but Not Issued Canceled	10,050.00		(10,050.00)
Debt Service	72,297.86	17,325.98	(54,971.88)
Total Other Appropriations	<u>103,323.93</u>	<u>865,882.30</u>	<u>762,558.37</u>
Total Appropriations	<u>607,537.65</u>	<u>1,436,193.89</u>	<u>828,656.24</u>
Excess of Revenues over Expenditures	83,182.58	(173,547.24)	(256,729.82)
Decreased by Utilization as Anticipated Revenue	47,209.00	19,816.00	(27,393.00)
Net Change in Fund Balance	<u>\$ 35,973.58</u>	<u>\$ (193,363.24)</u>	<u>\$ (229,336.82)</u>

**WESTVILLE FIRE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

FINANCIAL HIGHLIGHTS (CONTINUED)

CAPITAL ASSETS

The Westville Fire District No. 1's investment in capital assets for its Governmental Activities as of December 31, 2016 and 2015, were \$1,097,656.58 and \$1,424,368.73 (net of accumulated depreciation), respectively. This investment in capital assets includes land, buildings, equipment, furniture, and vehicles (more detailed information about capital assets can be found in Note 6 to the financial statements).

	Governmental Activities	
	2016	2015
Vehicles	\$ 1,060,733.18	\$ 1,182,674.27
Equipment	36,923.40	241,694.46
	\$ 1,097,656.58	\$ 1,424,368.73

LONG-TERM DEBT

At December 31, 2016 and 2015, the Fire District had outstanding capital leases of \$514,742.87 and \$567,280.66, respectively.

FINAL COMMENTS

The Fire District has budgeted its expenses and revenues conservatively in the past and will continue to do so in the future. Maintaining or lowering tax rates while providing quality service are the primary goals of the Fire District. Constant internal monitoring of financial data ensures that these goals can be met.

CONTACTING THE FIRE DISTRICT

This financial report is designed to provide the Fire District's citizens, taxpayers, customers, investors, and creditors with a general overview of the Fire District's finances and to demonstrate the Fire District's accountability of the money it receives. If you have any questions about this report or need additional financial information, contact Fritz Sims, Chairman/Treasurer, at Westville Fire District No. 1, 23 West Olive Street, Westville, NJ 08093, or email at: fritz.sims@westvillefd.com.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

WESTVILLE FIRE DISTRICT NO. 1
STATEMENT OF NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Governmental Activities	
	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 347,893.13	\$ 287,267.62
Accounts Receivable		4,676.04
Prepaid Expenses	13,046.00	8,961.47
Bonds & Notes Authorized but not Issued		10,050.00
Restricted Cash and Cash Equivalents	64,824.00	14,824.00
Capital Assets Net of Depreciation	1,097,656.58	1,424,368.73
Total Assets	<u>1,523,419.71</u>	<u>1,750,147.86</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pension	136,845.00	61,625.00
LIABILITIES		
Accounts Payable	85,885.44	30,922.65
Due Borough of Westville	1,906.36	1,906.36
Payroll Taxes Payable	1,666.82	1,352.85
Other Payables		2.00
Accrued Interest Payable	8,470.82	8,544.83
Unearned Revenue		4,310.34
Noncurrent Liabilities:		
Due Within One Year	54,483.62	52,537.79
Due Beyond One Year	460,259.25	514,742.87
Net Pension Liability	448,465.00	332,726.00
Total Liabilities	<u>1,061,137.31</u>	<u>947,045.69</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pension		1,585.00
NET POSITION		
Invested in Capital Assets, Net of Related Debt	582,913.71	857,088.07
Restricted for:		
Capital Projects	64,824.00	22,624.00
Assigned:		
Designated for Subsequent Budget	30,000.00	47,209.00
Unassigned	(78,610.31)	(63,778.90)
Total Net Position	<u>\$ 599,127.40</u>	<u>\$ 863,142.17</u>

See accompanying notes to the basic financial statements.

WESTVILLE FIRE DISTRICT NO. 1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
			Governmental Activities	Total
Governmental Activities:				
Administrative	\$ 92,340.46		\$ 92,340.46	\$ 92,340.46
Cost of Operations & Maintenance	399,941.75	\$ 11,696.00	388,245.75	388,245.75
Fire Marshall's Office	5,122.79	5,122.79		
First Aid/Ambulance	21,613.16		21,613.16	21,613.16
Length of Service Award Program	11,082.56		11,082.56	11,082.56
Interest on Long-Term Debt	19,687.06		19,687.06	19,687.06
Unallocated Depreciation	132,898.02		132,898.02	132,898.02
Total Governmental Activities	682,685.80	16,818.79	665,867.01	665,867.01
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes			354,440.00	354,440.00
Taxes Levied for Debt Service			72,361.00	72,361.00
EMS Billing			178,640.69	178,640.69
Penalties & Fines			50.00	50.00
Interest on Investments			975.48	975.48
Supplemental Fire			1,764.00	1,764.00
Miscellaneous Income			7,553.31	7,553.31
LOSAP Funds Forfeited			10,907.96	10,907.96
Prior Year Receivables Canceled			(4,676.01)	(4,676.01)
Prior Year Additional Payables			(16,300.06)	(16,300.06)
Authorized But Not Issued Canceled			(10,050.00)	(10,050.00)
Loss on Disposal of Assets			(193,814.13)	(193,814.13)
Total General Revenues, Special Items, Extraordinary Items, and Transfers			401,852.24	401,852.24
Change in Net Position			(264,014.77)	(264,014.77)
Net Position - Beginning			861,241.83	861,241.83
Prior Period Adjustment - See Notes to the Financial Statements			1,900.34	1,900.34
Net Position Beginning, as Restated			863,142.17	863,142.17
Net Position - End			\$ 599,127.40	\$ 599,127.40

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

WESTVILLE FIRE DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 347,893.13	\$ 64,824.00	\$ 412,717.13
Total Assets	<u>\$ 347,893.13</u>	<u>\$ 64,824.00</u>	<u>\$ 412,717.13</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 85,885.44		\$ 85,885.44
Due Borough of Westville	1,906.36		1,906.36
Payroll Taxes Payable	1,666.82		1,666.82
Total Liabilities	<u>89,458.62</u>		<u>89,458.62</u>
Fund Balances:			
Restricted for:			
Capital Projects		\$ 64,824.00	64,824.00
Assigned Fund Balance:			
Designated for Subsequent Budget	30,000.00		30,000.00
Unassigned:			
General Fund	228,434.51		228,434.51
Total Fund Balances	<u>258,434.51</u>	<u>64,824.00</u>	<u>323,258.51</u>
Total Liabilities and Fund Balances	<u>\$ 347,893.13</u>	<u>\$ 64,824.00</u>	<u>\$ 412,717.13</u>

See accompanying notes to the basic financial statements.

WESTVILLE FIRE DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	<u>2016</u>
Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) are different because:	
Payments made to vendors for services that will benefit periods beyond year-end are recorded as expenditures at the time of payment in the funds.	\$ 13,046.00
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The costs of assets are \$2,190,330.53 and the accumulated depreciation is \$1,092,673.95	1,097,656.58
Accrued interest payable is not due and payable in the current period and therefore, is not reported as a liability in the funds.	(8,470.82)
Long-term pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(311,620.00)
Long-term liabilities, including leases payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(514,742.87)
Net Position of Governmental Activities	<u>\$ 599,127.40</u>

See accompanying notes to the basic financial statements.

WESTVILLE BOROUGH FIRE DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Amount to be Raised by Taxation	\$ 354,440.00			\$ 72,361.00	\$ 426,801.00
EMS Billing	178,640.69				178,640.69
Annual Registration Fees	16,818.79				16,818.79
Penalties and Fines	50.00				50.00
Interest on Investments	975.48				975.48
Supplemental Fire	1,764.00				1,764.00
Miscellaneous Income	7,553.31				7,553.31
LOSAP Funds Forfeited	10,907.96				10,907.96
Total Revenues	<u>571,150.23</u>			<u>72,361.00</u>	<u>643,511.23</u>
EXPENDITURES					
Administrative	92,340.46				92,340.46
Cost of Operations & Maintenance	374,054.75				374,054.75
Fire Marshall's Office	5,122.79				5,122.79
First Aid/Ambulance	21,613.16				21,613.16
Length of Service Award Program	11,082.56				11,082.56
Debt Service:					
Capital Leases:					
Principal				52,536.79	52,536.79
Interest				19,761.07	19,761.07
Total Expenditures	<u>504,213.72</u>			<u>72,297.86</u>	<u>576,511.58</u>
Excess (Deficiency) of Revenues Over Expenditures	66,936.51			63.14	66,999.65
Other Financing Sources (Uses)					
Transfers	(1,492.42)	\$ (28,112.37)	\$ 42,200.00	(12,595.21)	
Prior Year Receivables Canceled	(4,676.01)				(4,676.01)
Prior Year Additional Payables	(16,300.06)				(16,300.06)
Authorized But Not Issued Canceled	(10,050.00)				(10,050.00)
Total Other Financing Sources (Uses)	<u>(32,518.49)</u>	<u>(28,112.37)</u>	<u>42,200.00</u>	<u>(12,595.21)</u>	<u>(31,026.07)</u>
Excess to Fund Balance	34,418.02	(28,112.37)	42,200.00	(12,532.07)	35,973.58
Fund Balance January 1	224,016.49	28,112.37	22,624.00	12,532.07	287,284.93
Fund Balance December 31	<u>\$ 258,434.51</u>		<u>\$ 64,824.00</u>		<u>\$ 323,258.51</u>

See accompanying notes to the basic financial statements.

WESTVILLE BOROUGH 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 YEAR ENDED DECEMBER 31, 2016

	2016
Total Net Change in Fund Balances - Governmental Funds (from B-2)	\$ 35,973.58
<p>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. This is the amount by which capital outlays exceeded depreciation in the period.</p>	
Depreciation Expense	(132,898.02)
<p>Payments made to vendors for services that will benefit periods beyond year-end are recorded as expenditures at the time of payment in the funds.</p>	
	13,046.00
<p>Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position and is not reported in the Statement of Activities.</p>	
Capital Lease Principal Payments	52,537.79
<p>Pension contributions are reported in Governmental Funds as expenditures. However in the Statement of Activities, the contributions are adjusted for actuarial valuation adjustments.</p>	
	(38,934.00)
<p>In the Statement of Activities, only the gain/loss on disposal of capital assets is reported, whereas in Governmental Funds, the proceeds from a sale increase financial resources. Thus, the change in net position will differ from the change in fund balance by the cost of the asset removed.</p>	
	(193,814.13)
<p>Interest on long-term debt in the Statement of Activities differs from the amounts reported in the Governmental Funds because interest is recorded as an expenditure in the funds when it is due, and thus requires that use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The net change in the accrued interest was an increase.</p>	
	74.01
Change in Net Position of Governmental Activities	\$ (264,014.77)

See accompanying notes to the basic financial statements.

FIDUCIARY FUND

WESTVILLE FIRE DISTRICT NO. 1
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2016

	<u>LOSAP Trust</u>
ASSETS	
LOSAP (Unaudited) Investment	\$ 197,051.92
NET POSITION	
LOSAP (Unaudited) Held in Trust for: LOSAP Benefits	\$ 197,051.92

WESTVILLE FIRE DISTRICT NO. 1
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>LOSAP Trust</u>
ADDITIONS	
Fire District Budget Appropriations	\$ 19,236.91
Increase in Investment Value	11,074.13
Total Additions	<u>30,311.04</u>
DECREASES	
Withdrawals	28,933.25
Administrative Fees	2,115.92
Total Decreases	<u>31,049.17</u>
Change in Net Position	(738.13)
Net Position January 1	<u>197,790.05</u>
Net Position December 31	<u>\$ 197,051.92</u>

NOTES TO FINANCIAL STATEMENTS

WESTVILLE BOROUGH FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity

The Westville Borough Fire District No. 1 was created in July 1989. The governing body of the Borough of Westville adopted an ordinance creating the Fire District, the territorial location of which is coterminous with the Borough.

The governing body of any municipality which does not have a paid or part-time fire department may, upon application of at least twenty voters or at least five percent of the registered voters, whichever is greater, by ordinance, designate a territorial location (or locations) for use as a fire district(s).

The Fire District is responsible for the prevention and suppression of fire within the Borough. The Fire District encompasses approximately 1.378 square miles of territory and is coterminous with the boundaries of the Borough.

A Board of five commissioners governs the Fire District. The commissioners of the Board are elected at-large for three-year staggered terms with an annual election held the third Saturday of every February. The Chairman and other officers of the Board of the Fire District are selected from amongst the members of the Board.

Fire Districts are governed by NJSA 40A:14-70 et al. and are organized as a taxing authority charged with the responsibility of providing the resources necessary to provide firefighting services.

The Fire District is not a component unit of any other financial reporting entity nor does the Fire District have any component units to be presented in accordance with Governmental Accounting Standards Board Statement No. 14.

Descriptions of Funds

The financial statements of the Fire District conform to accounting principles generally accepted in the United States of America applicable to governmental funds of state and local governments in accordance with the provisions of NJAC 5:31-7.1. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting. Accordingly, the Fire District accounts for its transactions through the use of funds and account groups:

Governmental Funds:

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

WESTVILLE BOROUGH FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds (Continued):

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 and firefighting apparatus. Generally, the financial resources of the Capital Projects Fund are derived from the issuance of debt or by the reservation of fund balance, which must be authorized by the voters as a separate question 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 general long-term debt liabilities recorded in the Debt Service Fund.

Basis of Accounting

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

Basis of Accounting, Measurement Focus, and Basis of Presentation

The Fire District's basic financial statements consist of District-wide statements, including a statement of net position and a statement of activities, and a fund financial statement which provide a more detailed level of financial information.

District-Financial Statements - The Statement of Net Position and Statement of Activities display information about the Fire District as a whole. These statements include the financial activities of the overall Fire District except for Fiduciary Funds. Governmental Activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Net Position presents the financial condition of the Governmental Activity of the Fire District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Fire District's Governmental Activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Fire District.

WESTVILLE BOROUGH FIRE DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position - Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Fire District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Revenues - Revenues are recorded when received in cash except for certain amounts which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the budget. Fund balance utilized to balance the budget is recorded as revenue and budgeted transfers from other funds are also recorded as revenue when anticipated in the budget.

Expenditures - Expenditures are recorded on the “budgetary” basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods and services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and as accounts payable. Budgeted transfers to other funds are recorded as expenditures when the budget is adopted, to the extent permitted or required by law. Appropriations for principal payments on outstanding bonds and notes are provided on the cash basis; interest is also on the cash basis.

Encumbrances - Encumbrance accounting is used for the General Fund and Capital Projects Fund. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as reservations of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated.

Income Taxes - As a public body, under existing statutes, the Fire District is exempt from both federal and state taxes.

Capital Assets - The Fire District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at estimated fair market value on the date received. The cost of normal repairs and maintenance are not capitalized. The capitalization threshold used by the Fire District is \$5,000.00.

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Vehicles	10-20
Firefighting Equipment	10
Computer Equipment	5

NJSA 40A:14-84 governs the procedures for the acquisition of property and equipment for Fire Districts, and NJSA 40A:14-85 to 87 governs the procedures for the issuance of any debt related to such purchases. In summary, Fire Districts may purchase firefighting apparatus,

WESTVILLE BOROUGH FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued) - equipment, land, and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation of property, within the Fire District, upon the approval of the legal voters. Debt may be issued up to \$60,000.00 or 2 percent of the assessed valuation of property, whichever is larger.

Property Taxes - The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Taxes are payable on the first day of February, May, August, and November. Any taxes that have not been paid by the 11th day of the 11th month in the year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5 et. seq.

The municipality is responsible for remitting 100% of the Fire District's tax to them.

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 could differ from those estimates.

Recent Accounting Pronouncements Not Yet Effective

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." This statement, which is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the District's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." This statement, which is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the District's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." This statement, which is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the District's financial reporting.

In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 80, "Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14." This statement, which is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the District's financial reporting.

In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 81, "Irrevocable Split-Interest Agreements." This statement, which is effective for fiscal periods beginning after December 15, 2016, will not have any effect on the District's financial reporting.

WESTVILLE BOROUGH FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements Not Yet Effective (Continued)

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82, "Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73." This statement, which is effective for fiscal periods beginning after June 15, 2016. Although not determinable, the impact of this statement on District's financial reporting is not anticipated to be significant.

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83, "Certain Asset Retirement Obligations." This statement, which is effective for fiscal periods beginning after June 15, 2018, will not have any effect on the District's financial reporting.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, "Fiduciary Activities." This statement, which is effective for fiscal periods beginning after December 31, 2018, will not have any effect on the District's financial reporting.

In March 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 85, "Omnibus 2017." This statement, which is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the District's financial reporting.

NOTE 2: BUDGETARY INFORMATION

Budgets and Budgetary Accounting - The Fire District must adopt an annual budget in accordance with NJSA 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 Borough. The public hearing must not be held less than twenty-eight days after the date the budget is 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's budget in accordance with NJSA 40A: 14-78.3. Subsequent to the adoption of the Fire District's budget, the amount of money to be raised by taxation in support of the Fire District budget must appear on the ballot for the annual election for approval of the voters.

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

NOTE 3: CASH

Custodial Credit Risk – Deposits

Custodial Credit Risk is the risk that in the event of a bank failure, the government's deposits may not be able to recover the value of its deposits or investments. Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the

WESTVILLE BOROUGH FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 3: CASH (CONTINUED)

Custodial Credit Risk – Deposits (Continued)

depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. The Fire District's policy is based on New Jersey Statutes requiring cash to be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in NJSA 40A:5-15.1(a) that are treated as cash equivalents. At December 31, 2016 and 2015, the carrying amount of the Fire District's deposits was \$412,717.13 and \$302,091.62, respectively. As of December 31, 2016 and 2015, \$0 of the Fire District's bank balance of \$417,578.64 and \$405,324.18, respectively, was exposed to Custodial Credit Risk.

NOTE 4: INVESTMENTS

As of December 31, 2016 or 2015, the Fire District's did not have any investments other than LOSAP.

Interest Rate Risk - The Fire District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, NJSA 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk - NJSA 40A:5-15.1(a) limits municipal investments to those specified in the statutes. The type of allowable investments are Bonds or other obligations of the United States or obligations guaranteed by the United States, Bonds or other obligations of the Borough or Bonds or other obligations of the Borough school district, Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of Treasury for investment by local units, government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk - The Fire District places no limit on the amount the Fire District may invest in any one issuer.

Unaudited Investments

As more fully described in Note 9, the Fire District has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the Fire District. All investments are valued at contract value. In accordance with NJAC 5:30-14.37 the investments are maintained by Lincoln Benefit Life Company, which is an authorized provider, approved by the Division of Local Government Services. The balance in the account on December 31, 2016 and 2015, amounted to \$197,051.92 and \$197,790.05, respectively. The information on 5% or more invested with Lincoln Benefit Life Company is listed below.

WESTVILLE BOROUGH FIRE DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2016

NOTE 4: INVESTMENTS (CONTINUED)

Description	Amount
Fixed	\$ 129,741.11
LVIP SSGA S & P 500 Index Fund	36,832.46
All Other Funds	30,478.35
	\$ 197,051.92

NOTE 5: FUND BALANCES APPROPRIATED - GENERAL FUND

The following presents the fund balances as of the end of the current and preceding four years and the amount utilized in the subsequent year's budget.

Year	Balance December 31	Utilized in Subsequent Budget	Percentage Utilized
2016	\$ 258,434.51	\$ 30,000.00	11.61%
2015	224,016.49	47,209.00	21.07%
2014	130,180.19	19,816.00	15.22%
2013	100,534.77	34,000.00	33.82%
2012	139,240.32	79,413.00	57.03%

NOTE 6: CAPITAL ASSETS

The following schedule is a summarization of the changes in capital assets for the year ended December 31, 2016.

	Balance Dec. 31, 2015	Additions	Deletions	Balance Dec. 31, 2016
Vehicles	\$ 1,995,759.04			\$ 1,995,759.04
Equipment	1,161,140.53		\$ 966,569.04	194,571.49
Total at Historical Cost	3,156,899.57		966,569.04	2,190,330.53
Less: Accumulated Depreciation				
Vehicles	812,965.77	\$ 122,060.09		935,025.86
Equipment	919,565.07	10,837.93	772,754.91	135,972.23
Total Accumulated Depreciation	1,732,530.84	132,898.02	772,754.91	1,092,673.95
Capital Assets, Net	\$ 1,424,368.73	\$ (132,898.02)	\$ 193,814.13	\$ 1,097,656.58

NOTE 7: ECONOMIC DEPENDENCY

The Westville Fire District No. 1 is not economically dependent on any one business or industry within the Borough since a significant portion of the revenue is derived from taxation.

WESTVILLE BOROUGH FIRE DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2016

NOTE 8: COMPENSATED ABSENCES

Full-time employees of the Fire District are entitled to receive paid vacation as follows: 1-3 years - 1 week, over 3 years - 2 weeks, and over 5 years - 3 weeks.

Employees are required to take their vacation within the year earned or lose any unused days. The Fire District does permit employees to carryover days which could not be taken due to extenuating circumstances. These requests are handled on an individual basis and require approval by the Board of Fire Commissioners. Based on this policy, there is no liability for compensated absences.

The Fire District permits employees to be paid for sick days with a new set limitation. The Board's intent was to cover the period between onset of illness and start of disability eligibility. With no set limit on days, there is no liability for compensated absences

NOTE 9: LENGTH OF SERVICE AWARD PROGRAM

The Board of Commissioners approved the creation of the Length of Service Award Program (LOSAP) by resolution on December 10, 2001. The voters of the Westville Borough approved the establishment of a Length of Service Awards Program (LOSAP) Deferred Compensation at the election held February 16, 2002. The LOSAP provides tax deferred income benefits to active volunteer firefighters. This plan is made available to all bona fide eligible volunteers who are performing qualified services which are defined as firefighting and prevention services, pursuant to Section 457 of the Internal Revenue Code of 1986, as amended, except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP also complies with New Jersey Public Law 1997, Chapter 388, and the LOSAP Document. The balance is subject to the general creditors of the Fire District. Contributions by the Fire District for qualified participants were \$11,082.56 and \$19,236.81 in 2017 and 2016, for those eligible in the years 2016 and 2015. As of the date of the audit, the Fire District had not contributed on behalf of the participants who qualified for the 2016 calendar year, however, the funds have been recorded as accounts payable.

NOTE 10: CAPITAL LEASES PAYABLE/LONG TERM DEBT

Long-term debt as of December 31, 2016, consisted of the following:

	Year		
	2016	2015	2014
Total Bonds, Notes, and Loans Issued and Authorized But Not Issued	None	None	None

	Restated Balance Dec. 31, 2015	Additions	Deletions	Balance Dec. 31, 2016	Due in One Year
Capital Leases	\$ 567,280.66	None	\$ 52,537.79	\$ 514,742.87	\$ 54,483.62

Bonds Authorized But Not Issued - As of December 31, 2016, the Fire District did not have any authorizations for the issuance of debt.

WESTVILLE BOROUGH FIRE DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2016

NOTE 10: CAPITAL LEASES PAYABLE/LONG TERM DEBT (CONTINUED)

Compensated Absences – The Fire District has no liability for compensated absences as of December 31, 2016.

Capital Leases Payable - The Fire District has a lease dated April 7, 2014, for a Ford Expedition totaling \$28,958.00, under a capital lease for five (5) years at 6.45%. The Fire District also has a lease dated July 14, 2015, for an E-One aerial fire apparatus totaling \$549,950.00, under a capital lease for ten (10) years at 3.39%.

The following is a schedule of the future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at December 31, 2016:

Year Ending Dec. 31,	Principal	Interest	Total
2017	\$ 54,483.62	\$ 17,814.24	\$ 72,297.86
2018	56,507.17	15,790.69	72,297.86
2019	52,073.42	13,687.20	65,760.62
2020	53,838.71	11,921.91	65,760.62
2021	55,663.85	10,096.77	65,760.62
2022	57,550.85	8,209.70	65,760.55
2023	59,501.82	6,258.80	65,760.62
2024	61,518.94	4,241.68	65,760.62
2025	63,604.49	2,156.13	65,760.62
	\$ 514,742.87	\$ 90,177.12	\$ 604,919.99

NOTE 11: PENSION FUNDS

Description of Plans - All eligible employees of the Borough are covered by the Public Employees' Retirement System, (PERS), a cost-sharing, multiple-employer defined benefit pension plan which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees' Retirement System. The reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295 or can be accessed on the internet at: <http://www.state.nj.us/treasury/pensions/actuarial-rpts.shtml>.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of NJSA 43:15A to provide retirement, death, disability, and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing, multiple-employer plan. Membership is generally required for substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another state-administered retirement system or other state or local jurisdiction.

WESTVILLE BOROUGH FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 11: PENSION FUNDS (CONTINUED)

Funding Policy - The contribution policy is set by NJSA 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997, and NJSA 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provide for employee contributions of 7.06% to 7.20% of employees' annual compensation, as defined. Subsequent increases will be phased in over 7 years (each July 1) to bring the total pension contribution rate to 7.5% as of July 1, 2018. Employers are required to contribute at an actuarially determined rate in PERS. The PERS rates in effect for 2016 are 12.46%, of covered payroll, as reported on June 30, 2014. The actuarially determined contribution includes funding for, cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The Fire District's PERS payments for the years ended December 31, 2016, 2015, and 2014, were \$13,212.00, \$11,592.00 and \$12,961.00, respectively, equal to the required contributions for each year.

The total payroll for the years ending December 31, 2016, 2015, and 2014, was \$190,964.92, \$178,671.83 and \$172,674.26.

Significant Legislation - Chapter 78, P.L. 2011, effective June 28, 2011, made various changes to the manner in which the Public Employees' Retirement System (PERS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011, (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

WESTVILLE BOROUGH FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 11: PENSION FUNDS (CONTINUED)

Significant Legislation (Continued) -

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60th from 1/55th, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PERS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a 1/7th of the required amount, beginning in fiscal years 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program (DCRP).

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006, report of the Joint Legislative Committee on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

NOTE 12: FINANCIAL INFORMATION RELATED TO GASB 68 & GASB 71 FOR PUBLIC RETIREMENT SYSTEMS

For the year ended December 31, 2016, the District recognized PERS pension expense of \$51,675. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

WESTVILLE BOROUGH FIRE DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2016

NOTE 12: FINANCIAL INFORMATION RELATED TO GASB 68 & GASB 71 FOR PUBLIC RETIREMENT SYSTEMS (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 6,658	
Changes of Assumptions	84,089	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	22,203	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	10,443	
District Contributions Subsequent to the Measurement Date	13,452	
	\$ 136,845	None

\$13,452 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date (i.e. for the year ending December 31, 2016, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	Amount
2018	\$ 28,147
2019	28,148
2020	31,912
2021	27,390
2022	7,796
	\$123,393

Additional information – Collective balances at June 30, 2016 and 2015, are as follows:

WESTVILLE BOROUGH FIRE DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2016

NOTE 12: FINANCIAL INFORMATION RELATED TO GASB 68 & GASB 71 FOR PUBLIC RETIREMENT SYSTEMS (CONTINUED)

	June 30, 2016	June 30, 2015
Collective Deferred Outflows of Resources:		
Changes of Assumptions	\$ 6,135,087,729	\$ 2,410,735,486
Difference Between Expected and Actual Experience	550,788,872	535,530,329
Difference Between Projected and Actual Earnings	1,129,328,184	
Changes in Proportion	870,133,595	
Collective Deferred Inflows of Resources:		
Changes in Proportion	870,133,595	
Difference Between Projects and Actual Earnings		360,920,604
Collective Net Pension Liability	29,617,131,759	22,447,996,119
District's Proportion	0.0013496112%	0.0014822064%

NOTE 13: LABOR CONTRACTS

The Fire District does not have any collective bargaining units.

NOTE 14: POST-EMPLOYMENT BENEFITS

Plan Description - The New Jersey State Health Benefits Commission is a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under NJSA 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents. The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. The Fire District participates in the SHBP through a shared service agreement with the Borough of Westville. The plan provides fully-insured medical and prescription drug coverage to eligible retirees and their spouses.

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

NOTE 15: RISK MANAGEMENT

The Fire District is exposed to various risks or loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Fire District maintains commercial insurance coverage for property, liability, and surety bonds through a shared service agreement with the Borough of Westville. There have not been any claims in excess of coverage and no reduction in coverage was noted during the 2016 audit.

WESTVILLE BOROUGH FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 16: LEASE COMMITMENTS

The Fire District entered into an operating lease with Rothwell Document Solutions for a copier. The lease is for a period of 39 months commencing July 1, 2013. The payments were due in monthly installments of \$164.25. Total lease payments in 2016 were \$1,971.00.

The Fire District rents the fire house from the Westville Fire Department. Rent payments are made on a semi-annual basis of \$6,950.00. The total rental payments made to the Fire Department for 2016 was \$13,900.00.

NOTE 17: SHARED SERVICE AGREEMENT

The Fire District has a shared service agreement with the Borough of Westville to provide liability insurance and medical benefits to the Fire District's full-time employees at cost.

NOTE 18: COMMITMENTS AND CONTINGENCIES

It is the Westville Fire District No.1's Counsel's opinion that there is no pending litigation or contingent liability that may be pending against the Fire District that would have an adverse effect on the financial position in the future.

NOTE 19: CHANGE IN ACCOUNTING ESTIMATE

The Board of Commissioners elected to increase the capital assets threshold to \$5,000.00 in compliance with NJAC 5:30-5.6. The financial statements for the fiscal year ended December 31, 2015, have not been restated, and the cumulative effect of the change totaling \$193,814.13, is shown as a one-time debit to net position in the fiscal year ended December 31, 2016, Statement of Activities.

The Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions," and Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date" were incorrectly measured and recognized in the deferred outflows of resources and deferred inflows of resources, and expense/expenditures for pension.

In addition a capital lease was recorded as an operating lease. The effect of these changes was to increase year ended December 31, 2015 as follows:

WESTVILLE BOROUGH FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 19: CHANGE IN ACCOUNTING ESTIMATE

Beginning Net Position as Previously Reported at December 31, 2015	\$ 861,241.83
Prior Period Adjustment - Implementation of GASB 68 & 71:	
Deferred Inflows	
Public Employee's Retirement System	22,338.00
Deferred Outflows:	
Public Employee's Retirement System	(3,108.00)
Capital Lease recorded as Operating Lease	(17,329.66)
	<hr/>
Total Prior Period Adjustment	1,900.34
	<hr/>
Net Position as Restated January 1, 2016	<u><u>\$ 863,142.17</u></u>

NOTE 20: SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2016 and April 21, 2017, the date that the financial statements were available to be issued and no items were noted for disclosure or adjustment.

**SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSIONS
(GASB 68 & GASB 71)**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - PERS
Last Four Fiscal Years

	Year Ended			
	12/31/16	12/31/15	12/31/14	12/31/13
District's Proportion of the Net Pension Liability (Asset)	0.0015142071%	0.0014822064%	0.0013496112%	0.0014905514%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 448,465	\$ 332,726	\$ 252,684	\$ 284,874
District's Covered-Employee Payroll	105,160	103,206	99,092	104,361
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	426.46%	322.39%	255.00%	272.97%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.13%	47.92%	52.08%	48.72%
Measurement Date	06/30/16	06/30/15	06/30/14	06/30/13

SCHEDULE OF DISTRICT CONTRIBUTIONS - PERS
Last Four Fiscal Years

	Year Ended			
	12/31/16	12/31/15	12/31/14	12/31/13
Contractually Required Contribution	\$ 13,452	\$ 12,743	\$ 11,126	\$ 11,231
Contributions in Relation to the Contractually Required Contribution	13,452	12,743	11,126	11,231
Contribution Deficiency (Excess)	None	None	None	None
District's Covered-Employee Payroll	\$ 105,160	\$ 103,206	\$ 99,092	\$ 104,361
Contributions as a Percentage of Covered-Employee Payroll	12.79%	12.35%	11.23%	n/a
Measurement Date	06/30/16	06/30/15	06/30/14	06/30/13

WESTVILLE FIRE DISTRICT NO. 1
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016

NOTE 1: CONTRIBUTIONS

The contribution policy for PERS is set by NJSA 15A and requires contributions by active members and contributing employers. The District's contribution amount was based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. State legislation has modified the amount that is contributed by the State. The District's contribution amount was based on an actuarially determined rate which includes the normal cost and unfunded accrued liability.

NOTE 2: ACTUARIAL ASSUMPTIONS

PUBLIC EMPLOYEE'S RETIREMENT SYSTEM

The total pension liability for the June 30, 2016, measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation rate	3.08%
Salary increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment rate of return	7.65%

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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.

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pension and Benefits financial report at: <http://www.nj.gov/treasury/pensions/employer-home.shtml>.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

PETRONI & ASSOCIATES LLC

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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

Honorable Chairman and Members
of the Fire District
Westville Fire District No. 1
23 West Olive Street
Westville, New Jersey 08093

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements as prescribed by Division of Local Government Services, Department of Community Affairs, State of New Jersey and the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Westville Fire District No. 1, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Westville Fire District No. 1's basic financial statements, and have issued our report thereon dated April 21, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Westville Fire District No. 1's financial statements are free from material misstatements; 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the requirements of the Division of Local Government Services which are listed in the findings and recommendations as 2016-001 and 2016-002.

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.

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252

April 21, 2017

WESTVILLE BOROUGH FIRE DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget			Actual	Variance of Actual Data to Budget	
	Original	Transfers	Final		Dollars	%
REVENUES						
Amount to be Raised by Taxation	\$ 354,440.00		\$ 354,440.00	\$ 354,440.00		
Amount to be Raised by Taxation - Debt Service	72,361.00		72,361.00	72,361.00		
EMS Billing	160,000.00		160,000.00	178,640.69	\$ 18,640.69	11.65%
Miscellaneous Revenues Offset with Appropriations:						
Uniform Fire Safety Act (P.L. 1983, Ch. 383)						
Annual Registration Fees	14,000.00		14,000.00	16,818.79	2,818.79	20.13%
Penalties & Fines	100.00		100.00	50.00	(50.00)	-50.00%
Interest on Investments	4,000.00		4,000.00	975.48	(3,024.52)	
Supplemental Fire	1,764.00		1,764.00	1,764.00		
Total Anticipated Revenues	<u>606,665.00</u>		<u>606,665.00</u>	<u>625,049.96</u>	<u>18,384.96</u>	<u>3.03%</u>
Non-Budgetary Revenues:						
Miscellaneous Revenue				7,553.31	7,553.31	
LOSAP Funds Forfeited				10,907.96	10,907.96	
Total Non-Budgetary Revenues				<u>18,461.27</u>	<u>18,461.27</u>	
Total Revenues	<u>606,665.00</u>		<u>606,665.00</u>	<u>643,511.23</u>	<u>36,846.23</u>	<u>6.07%</u>

WESTVILLE BOROUGH FIRE DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget			Actual	Variance of Actual Data to Budget	
	Original	Transfers	Final		Dollars	%
EXPENDITURES						
Operating Appropriations:						
Administration:						
Salaries and Wages:						
Part-Time Office Clerk	10,000.00		10,000.00	9,246.07	753.93	7.54%
Part-Time Administrator	3,200.00		3,200.00	3,115.26	84.74	2.65%
Part-Time Office Cleaning	4,674.00		4,674.00	3,240.00	1,434.00	30.68%
Fringe Benefits:						
Social Security	1,300.00		1,300.00	1,193.50	106.50	8.19%
Defined Contribution Retirement Program	300.00		300.00	84.22		
Unemployment/Disability	125.00		125.00	124.81	0.19	0.15%
Other Expenses:						
Professional Services:						
Auditor	7,000.00		7,000.00	8,251.42	(1,251.42)	
Computer Administration	500.00	\$ 196.00	696.00	696.00		
Legal Services	2,000.00		2,000.00	1,069.00	931.00	
EEO/HR Officer Fees	600.00	2,400.00	3,000.00	3,000.00		
Office Supplies/Expenses	2,500.00	2,095.51	4,595.51	7,759.17	(3,163.66)	-68.84%
Copier Lease	1,250.00		1,250.00	1,162.24	87.76	7.02%
Payroll Processing	2,500.00		2,500.00	2,362.50	137.50	5.50%
Elections	1,000.00	(650.21)	349.79	349.79		
Fire Prevention (Promotion)	500.00	487.92	987.92	987.92		
Insurance	44,880.00		44,880.00	45,319.27	(439.27)	-0.98%
Computer Equipment	4,000.00	(220.71)	3,779.29	4,379.29	(600.00)	-15.88%
Total Administration	86,329.00	4,308.51	90,637.51	92,340.46	(1,918.73)	-2.12%

WESTVILLE BOROUGH FIRE DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget			Actual	Variance of Actual Data to Budget	
	Original	Transfers	Final		Dollars	%
Operating Appropriations:						
Cost of Operations & Maintenance:						
Salaries and Wages:						
Firefighters	100,505.00		100,505.00	107,023.59	(6,518.59)	-6.49%
Fire Inspector	3,000.00		3,000.00	3,000.00		
Fire Official	2,500.00		2,500.00	2,500.00		
Substitutes	3,700.00		3,700.00	12,981.31	(9,281.31)	-250.85%
Part-time Help	15,725.00		15,725.00	318.69	15,406.31	
Weekend EMS Coverage	41,765.00		41,765.00	48,540.00	(6,775.00)	-16.22%
Fringe Benefits:						
Social Security	14,000.00		14,000.00	13,415.49	584.51	4.18%
Unemployment/Disability	2,197.00		2,197.00	1,101.18	1,095.82	49.88%
Public Employee's Retirement System	13,212.00		13,212.00	13,212.00		
Employee Group Health Insurance	43,380.00		43,380.00	39,835.12	3,544.88	8.17%
Other Expenses:						
Advertising	1,500.00		1,500.00	1,416.84	83.16	5.54%
Memberships and Dues	1,000.00	1,312.00	2,312.00	2,312.00		
Medical Doctor	7,500.00		7,500.00	4,576.00	2,924.00	38.99%
Training and Education	7,000.00	(1,655.06)	5,344.94	3,065.51	2,279.43	42.65%
Utilities	13,000.00		13,000.00	12,353.63	646.37	4.97%
Fuel	9,000.00		9,000.00	4,399.46	4,600.54	51.12%
Supplies and Maintenance	25,000.00	7,635.99	32,635.99	34,106.23	(1,470.24)	-4.50%
Matching Funds for Grants	10,000.00	(10,000.00)				
Supplemental Fire	2,374.00		2,374.00	2,373.56	0.44	0.02%
Air Pack Replacement	13,326.00		13,326.00	13,936.00	(610.00)	-4.58%
Chiefs Firefighting Equipment	20,000.00		20,000.00	18,648.11	1,351.89	6.76%
Building Rental	22,100.00		22,100.00	21,040.03	1,059.97	4.80%
Fire Department Rental	13,900.00		13,900.00	13,900.00		
Total Cost of Operations & Maintenance	385,684.00	(2,707.07)	382,976.93	374,054.75	8,922.18	2.33%

WESTVILLE BOROUGH FIRE DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget		Actual	Variance of Actual Data to Budget	
	Original	Transfers		Dollars	%
Appropriations Off-set with Revenues					
Fire Official's Office					
Salaries and Wages	1,000.00		1,000.00		
Other Expenses:					
Copier Lease	1,250.00		1,162.24	87.76	7.02%
Supplies and Maintenance	1,250.00		222.00	1,028.00	82.24%
Uniforms	4,000.00	(1,601.44)	2,738.55	-339.99	-14.17%
Total Appropriations Off-set with Revenues	7,500.00	(1,601.44)	5,122.79	775.77	13.15%
First Aid/Ambulance					
EMS Billing	15,000.00		13,558.64	1,441.36	9.61%
EMS Supplies	7,000.00		3,978.92	3,021.08	43.16%
Stipends	5,000.00		4,075.60	924.40	18.49%
Total First Aid/Ambulance	27,000.00		21,613.16	5,386.84	19.95%
Length of Service Award Program	25,000.00		11,082.56	13,917.44	55.67%
Capital Appropriations:					
Reserve for Future Capital Outlay	50,000.00			50,000.00	100.00%
Debt Service:					
Capital Lease - Fire Truck					
Principal	47,117.50		47,117.31	0.19	0.00%
Interest	18,643.50		18,643.31	0.19	0.00%
Capital Leases - Fire Official					
Principal	5,420.00		5,419.48	0.52	0.01%
Interest	1,180.00		1,117.76	62.24	5.27%
Total Debt Service	72,361.00		72,297.86	63.14	0.09%
Total Expenditures	653,874.00		576,511.58	77,146.64	11.80%

WESTVILLE BOROUGH FIRE DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget			Actual	Variance of Actual Data to Budget	
	Original	Transfers	Final		Dollars	%
Excess (Deficiency) of Revenues and Other Expenditures	(47,209.00)		(47,209.00)	66,999.65	(40,300.41)	
Other Financing Sources (Uses):						
Prior Year Receivables Canceled				(4,676.01)		
Prior Year Additional Payables				(16,300.06)		
Authorized But Not Issued Canceled				(10,050.00)		
Total Other Financing Sources (Uses)				(31,026.07)		
	(47,209.00)		(47,209.00)	35,973.58	(40,300.41)	
Fund Balances - January 1	287,284.93		287,284.93	287,284.93		
Fund Balances - December 31	<u>\$ 240,075.93</u>		<u>\$ 240,075.93</u>	<u>\$ 323,258.51</u>	<u>\$ (40,300.41)</u>	
Recapitulation:						
Unassigned				\$ 228,434.51		
Restricted for:						
Capital Projects				64,824.00		
Assigned:						
Designated for Subsequent Year's Expenditures				30,000.00		
				<u>\$ 323,258.51</u>		

WESTVILLE BOROUGH FIRE DISTRICT NO. 1
 SCHEDULE OF CAPITAL PROJECTS
 FOR THE YEAR ENDED DECEMBER 31, 2016

Description	Balance Jan. 1, 2016	Transfer from Budget	Transfer to General Fund	Balance Dec. 31, 2016
E-One Aerial Fire Apparatus	\$ 7,800.00		\$ (7,800.00)	
Reserve for Future Capital Outlay	14,824.00	\$ 50,000.00		\$ 64,824.00
	<u>\$ 22,624.00</u>	<u>\$ 50,000.00</u>	<u>\$ (7,800.00)</u>	<u>\$ 64,824.00</u>

WESTVILLE BOROUGH FIRE DISTRICT NO. 1
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASE
FOR THE YEAR ENDED DECEMBER 31, 2016

Description	Date of Lease	Term of Lease	Amount of Original Issue		Amount Outstanding	Retired	Amount Outstanding
			Principal	Interest	Jan. 1, 2016		Dec. 31, 2016
Rescue Pumper	05/04/05	8 years	\$ 498,000.00	\$ 39,557.67	\$ 1.00	\$ 1.00	
E-One Aerial Fire Apparatus	07/14/15	10 years	549,950.00	107,656.20	549,950.00	47,117.31	\$ 502,832.69
2014 Ford Expedition	04/07/14	5 years	28,958.00	3,728.20	17,329.66	5,419.48	11,910.18
					<u>\$ 567,280.66</u>	<u>\$ 52,537.79</u>	<u>\$ 514,742.87</u>

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised for NJSA 40A:11-4

NJSA 40A:11-4 states "Every contract or agreement awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law."

The Fire District has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the calendar year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per NJSA 40A:11-5.

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

Our examination of expenditures did not reveal individual payments, contracts or agreements in excess of the bid threshold "for the performance of any work or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisements or where a resolution had been previously adopted under the provisions of NJSA 40A:11-6.

OTHER COMMENTS

Cash Management Program

The Fire District has adopted a cash management plan. The Fire District deposits money in accordance with NJAC 5:31-3.1. The investment of Fire District funds is in interest bearing accounts. The monthly cash management reports required by NJSA 40A:5-14(e), were not prepared.

Accounting System

A general ledger has been established by the Fire District and is working effectively.

Fixed Assets

A fixed asset accounting and reporting system has been established by the Fire District and is working effectively.

Corrective Action Plan

A corrective action plan was filed as required for the 2015 year audit.

STATUS OF PRIOR RECOMMENDATIONS

2015-001: The Fire District has chosen not to bill certain governmental and fraternal organizations for their annual Registration Fees. Also, the Fire District has not taken any formal action to waive the fees.

Status: Corrective action taken.

STATUS OF PRIOR RECOMMENDATIONS (CONTINUED)

2015-002: Finding: On December 15, 2015, the Fire District placed two orders; one for upgrades to the light tower and emergency lighting system on Rescue 736 and one for ultra-high radio frequency equipment. These services were not received until the calendar year 2016, however, payment for these services were authorized and paid in December 2015.

Status: Corrective action taken

2015-003: Finding: The Fire District awarded a contract for upgrades to the light tower and emergency lighting to Kaler Motor Company in the amount of \$20,117.39, which was in excess of the bid limit.

Status: Corrective action taken.

2015-004: Finding: The Fire District was imposed a late payment penalty in the amount of \$4,500.00 for the cost of the acquisition of new aerial fire apparatus. This penalty was offset by a refund of \$2,250.00, leaving a deficit balance in the capital projects fund of \$2,250.00.

Status: Corrective action taken.

FINDINGS AND RECOMMENDATIONS

2016-001: Finding: The testing of expenditures (sample size 40) disclosed the following items: 19 vouchers did not have claimant's certification (47.5%); and 11 did not have acknowledgement of receipt (27.5%) in violation of NJSA 40A:5-16.

Recommendation: Vouchers contain all required approvals and certifications in compliance with NJSA 40A:5-16.

2016-002: Finding: Monthly Cash Management Reports, required by NJSA40A:5-14(e), were not prepared.

Recommendation: Monthly Cash Management Reports be prepared and submitted to the Board of Commissioners in compliance with NJSA 40A:5-14(e).

Acknowledgment

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

Respectfully submitted,

PETRONI & ASSOCIATES LLC



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