

**FIRE DISTRICT NO. 2  
OF THE TOWNSHIP OF SOUTH BRUNSWICK**

**Financial Statements**

**For the year ended December 31, 2015**

**(With Independent Auditor's Report thereon)**

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Financial Statements and Supplementary Schedules**  
**For the year ended December 31, 2015**  
**(With Independent Auditor's Report thereon)**

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## INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners  
Fire District No. 2 of the Township of South Brunswick:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 2 of the Township of South Brunswick, County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 2 of the Township of South Brunswick, County of Middlesex, State of New Jersey, as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary 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. 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.

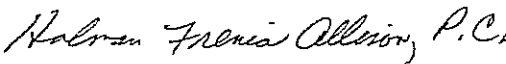
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fire District No. 2 of the Township of South Brunswick's basic financial statements. The long-term debt schedule of serial bonds payable, as listed on the table of contents, is for purposes of additional analysis and is not a required part of the basic financial statements.

The long-term debt schedule of serial bonds payable 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the long-term debt schedule of serial bonds payable is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2016, on our consideration of the Fire District No. 2 of the Township of South Brunswick's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fire District No. 2 of the Township of South Brunswick's internal control over financial reporting and compliance.

  
HOLMAN FRENIA ALLISON, P.C.  
*Certified Public Accountants*

July 21, 2016  
Bordentown, New Jersey



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Fire Commissioners

Fire District No. 2 of the Township of South Brunswick:

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 the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities of each major fund and the aggregate remaining fund information of Fire District No. 2 of the Township of South Brunswick, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Fire District No. 2 of the Township of South Brunswick's basic financial statements, and have issued our report thereon dated July 21, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Fire District No. 2 of the Township of South Brunswick's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fire District No. 2 of the Township of South Brunswick's internal control. Accordingly, we do not express an opinion on the effectiveness of Fire District No. 2 of the Township of South Brunswick'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.

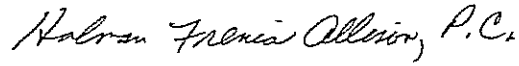
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Fire District No. 2 of the Township of South Brunswick's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not identify any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs State of New Jersey.

## 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.

  
HOLMAN FRENIA ALLISON, P.C.  
Certified Public Accountants

July 21, 2016  
Bordentown, New Jersey

## TOWNSHIP OF SOUTH BRUNSWICK FIRE DISTRICT NO. 2

### MANAGEMENTS DISCUSSION AND ANALYSIS

This section of the Township of South Brunswick's Fire District No. 2 (the "District") annual financial report presents a discussion and analysis of the Fire District's financial performance during the fiscal year that ended on December 31, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

#### Financial Highlights

Total assets were \$3,935,964, total deferred outflows of resources were \$1,464, and total liabilities were \$271,483 resulting in net position of \$3,665,945 at December 31, 2015.

The Fire district's unrestricted net position was \$543,558 for the year ended December 31, 2015.

Operating revenue was \$915,320 for the year ended December 31, 2015.

Operating expenses were \$854,885 for the year ended December 31, 2015. The single largest expense, excluding debt service, was payments for maintenance and repairs, which was \$86,686.

Outstanding debt decreased by \$179,969 during 2015. Total outstanding debt was \$187,656 at December 31, 2015.

#### Overview of Annual Financial Report

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

The financial statements report information about the District using the accrual basis of accounting, and, for the governmental funds, using the modified accrual basis of accounting. The combined financial statement, Governmental Funds Balance Sheet/Statement of Net Position includes a column to report governmental funds, a conversion column and a column to report Net Position.

The combined financial statement, Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Net Position also includes columns to report governmental funds, conversion transactions and the Statement of Activity.



# TOWNSHIP OF SOUTH BRUNSWICK FIRE DISTRICT NO. 2

## MANAGEMENTS DISCUSSION AND ANALYSIS

### Overview of Annual Financial Report (Continued)

The notes to the financial statements provide required disclosures and other information essential to a complete understanding of information provided in the financial statements. The notes contain information about the Fire District's accounting policies, significant account balances and changes, material risks, obligations, commitments, contingencies and subsequent events.

### Financial Analysis of the Fire District

The following tables and other information are provided as key financial data used by management for monitoring and planning purposes.

Net Position – Table 1 summarizes the changes in net position between December 31, 2015 and 2014:

Table 1

### Condensed Summary of Net Position

<u>Years Ended December 31,</u>	<u>2015</u>	<u>2014</u>	<u>Increase / Decrease</u>
Assets:			
Current Assets	\$ 835,789	\$ 853,302	\$ (17,513)
Capital Assets	3,100,175	3,189,080	(88,905)
Total Assets	<u>\$ 3,935,964</u>	<u>\$ 4,042,382</u>	<u>\$ (106,418)</u>
Deferred Outflows of Resources:			
Unamortized Charge on 2006 Refunding Bonds	\$ 1,464	\$ 2,927	\$ (1,463)
Total Deferred Outflows of Resources	<u>\$ 1,464</u>	<u>\$ 2,927</u>	<u>\$ (1,463)</u>
Liabilities:			
Current Liabilities	\$ 271,483	\$ 252,143	\$ 19,340
Non-Current Liabilities	-	187,656	(187,656)
Total Liabilities	<u>271,483</u>	<u>439,799</u>	<u>(168,316)</u>
Net Position:			
Invested in Capital Assets	2,912,519	2,821,455	91,064
Restricted - Capital Projects	209,868	284,795	(74,927)
Restricted - Appropriation Reserves	-	108,618	(18,882)
Unrestricted	543,558	390,642	63,180
Total Net Position	<u>3,665,945</u>	<u>3,605,510</u>	<u>60,435</u>
Total Liabilities and Net Position	<u>\$ 3,937,428</u>	<u>\$ 4,045,309</u>	<u>\$ (107,881)</u>

## TOWNSHIP OF SOUTH BRUNSWICK FIRE DISTRICT NO. 2

## MANAGEMENTS DISCUSSION AND ANALYSIS

Operating Activities

Table 2 summarizes the changes in revenues, expenses and net position between fiscal years December 31, 2015 and 2014.

Table 2

Condensed Summary of Revenues, Expenses and Changes in Net Position

Years Ended December 31,	2015	2014	Increase / (Decrease)
<u>Revenues</u>			
Operating Revenues:			
District Taxes	\$ 900,718	\$ 853,602	\$ 47,116
Supplemental Fire Services	5,380	5,380	-
Firefighter Assistance Grant	1	8,124	(8,123)
Other	9,221	11,316	(2,095)
Total Revenues	915,320	878,422	36,898
<u>Expenses</u>			
Operating Expenses:			
Salaries & Wages	133,445	137,942	(4,497)
Other Expenses	524,928	525,444	(516)
Debt Service			
Interest	16,543	24,616	(8,073)
Depreciation	179,969	186,057	(6,088)
Total Expenses	854,885	874,059	(19,174)
Change in Net Position	60,435	4,363	56,072
Total Net Position, Beginning of Year	3,605,510	3,601,147	4,363
Total Net Position, End of Year	\$ 3,665,945	\$ 3,605,510	\$ 60,436

The summary of revenues, expenses, and changes in net position provides information as to the nature and source of changes in financial position.

The changes in net position from year to year increased due an excess of revenues over expenses.

# TOWNSHIP OF SOUTH BRUNSWICK FIRE DISTRICT NO. 2

## MANAGEMENTS DISCUSSION AND ANALYSIS

### Capital Assets

Table 3 summarizes the changes in capital assets at December 31, 2015 and 2014.

Table 3

Years ended December 31,	<u>Capital Assets - Net of Depreciation</u>		
	2015	2014	Increase / (Decrease)
Land	\$ 462,991	\$ 462,991	\$ -
Apparatus	2,308,125	2,308,125	-
Fire Equipment	289,492	235,985	53,507
Leasehold Improvements	230,198	230,198	-
Vehicles	111,725	98,667	13,058
Office Equipment	51,656	51,656	-
Other Equipment	128,781	128,781	-
Building	2,280,547	2,280,547	-
Construction in Progress	-	-	-
Total Capital Assets	5,863,515	5,796,950	66,565
Less: Accumulated Depreciation	2,763,341	2,607,870	155,471
Total Capital Assets, Net of Depreciation	<u>\$ 3,100,175</u>	<u>\$ 3,189,080</u>	<u>\$ (88,906)</u>

The District's net investment in capital assets decreased due to depreciation expense.

### Debt Outstanding

The Fire District's long-term debt at December 31, 2015 was \$187,656, a decrease of \$179,969 when compared to the \$367,625 at December 31, 2014. Principal payments on the outstanding debt are due annually with final maturity August 1, 2016. Additional information on the Fire District's long-term debt can be found in Note 9 in the financial statements.

### Next Year's Budget

The District adopted a \$1,161,386 budget for 2016, an increase of \$12,257 when compared to 2015. Fund Balance utilized in 2016 decreased by \$27,600. Capital appropriations increased by \$5,000. The Tax Levy increased \$39,757 over 2015.

### Requests for Information

This financial report is designed to provide a general overview of the Fire District's finances and to demonstrate the Fire District's accountability for the money it receives. If you have any question about this report or need any additional information, contact the Fire District in writing, at Ridge Road, P.O. Box 114, Monmouth Junction, New Jersey 08852 or the South Brunswick Township Clerk by telephone at (732) 329-4000.

## EXHIBIT A-1

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Statement of Net Position**  
**December 31, 2015**

	<u>Governmental Activities</u>
	<u>2015</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 835,789
Total current assets	<u>835,789</u>
Capital assets (net of depreciation)	<u>3,100,175</u>
Total assets	<u>3,935,964</u>
Deferred outflow of resources	
Unamortized charge on 2006 refunding bonds	<u>1,464</u>
Total deferred outflow of resources	<u>1,464</u>
Total assets and deferred outflow of resources	<u>3,937,428</u>
Liabilities:	
Current liabilities:	
Accounts payable	74,928
Grant advance	5,380
Accrued interest	3,519
Bonds payable	<u>187,656</u>
Total current liabilities	<u>271,483</u>
Total liabilities	<u>271,483</u>
Net position:	
Net investment in capital assets	2,912,519
Restricted net position:	
Capital	209,868
Unrestricted net position:	
Unreserved	<u>543,558</u>
Total net position	<u>\$ 3,665,945</u>

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Statement of Activities**  
**For the year ended December 31, 2015**

		<u>Governmental Activities</u>
	<u>Expenses</u>	<u>2015</u>
Government activities:		
Operation appropriations:		
Administration	\$ 240,664	\$ 240,664
Costs of operations and maintenance	556,911	556,911
Interest expense	16,010	16,010
Length of service award contribution	41,300	41,300
	<u>854,885</u>	<u>854,885</u>
General revenues:		
Miscellaneous revenue		9,221
Operating grant revenues		5,381
Amount raised by taxation		900,718
Total general revenues		<u>915,320</u>
Change in net position		60,435
Net position, January 1		<u>3,605,510</u>
Net position, December 31		<u>\$ 3,665,945</u>

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2015**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total December 31, 2015</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 539,070	\$ 296,719	\$ 835,789
Total assets	<u>\$ 539,070</u>	<u>\$ 296,719</u>	<u>\$ 835,789</u>
Liabilities, equity and other credits:			
Accounts payable	\$ 63,077	\$ 11,851	\$ 74,928
Grant advance - SFSP	5,380	-	5,380
Total liabilities	<u>68,457</u>	<u>11,851</u>	<u>80,308</u>
Fund balances:			
Restricted for:			
Capital	-	209,868	209,868
Assigned for:			
For subsequent year's expenditures	140,281	75,000	215,281
Other purposes	81,103	-	81,103
Unassigned, reported in:			
General fund	<u>249,229</u>	<u>-</u>	<u>249,229</u>
Total fund balance	<u>470,613</u>	<u>284,868</u>	<u>755,481</u>
Total liabilities and fund balance	<u>\$ 539,070</u>	<u>\$ 296,719</u>	
Amounts reported for governmental activities in the statement of net position (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 \$5,863,516 and the accumulated depreciation is \$2,763,341.			3,100,175
Accrued interest not recorded in current financial statements.			(3,519)
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported as liabilities in the funds.			(187,656)
Deferred charge on 2006 refunding bonds			<u>1,464</u>
Net position of governmental activities			<u>\$ 3,665,945</u>

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the year ended December 31, 2015**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total December 31, 2015</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 288	\$ 253	\$ -	\$ 541
Other revenue	8,680	-	-	8,680
Total miscellaneous revenues	8,968	253	-	9,221
Operating grant revenues:				
Supplemental fire service act	5,381	-	-	5,381
Total operating grant revenue	5,381	-	-	5,381
Total revenues	14,349	253	-	14,602
Amount raised by taxation to support district budget	639,206	65,000	196,512	900,718
Total anticipated revenues	653,555	65,253	196,512	915,320
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	86,303	-	-	86,303
Fringe benefits	47,142	-	-	47,142
Other expenditures:				
Shared services	80,000	-	-	80,000
Elections	642	-	-	642
Professional fees	23,712	-	-	23,712
Memberships/dues	380	-	-	380
Office supplies	2,009	-	-	2,009
Other outside services	476	-	-	476
Total administration	240,664	-	-	240,664

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the year ended December 31, 2015**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total December 31, 2015</u>
Cost of operations and maintenance:				
Fringe benefits	40,965	-		40,965
Other expenditures:				
Advertising	516	-	-	516
Insurance	27,466	-	-	27,466
Maintenance and repairs	86,686	-	-	86,686
Memberships/dues	106	-	-	106
Supplies	7,254	-	-	7,254
Training and education	7,853	-	-	7,853
Turnout Gear/uniforms	20,862	-	-	20,862
Utilities	39,652	-	-	39,652
Reimbursement - expenses and losses	5,850	-	-	5,850
Contracted services - Volunteer Fire Co.	37,000	-	-	37,000
Aid to First Aid Squad Assn.	10,800	-	-	10,800
Promotion	1,008	-	-	1,008
Supplemental fire services act	5,380	-	-	5,380
Facilities expense	49,615	-	-	49,615
Non-bondable assets	61,813	-	-	61,813
Total cost of operations and maintenance	<u>402,826</u>	<u>-</u>	<u>-</u>	<u>402,826</u>
Length of service award program	<u>41,300</u>	<u>-</u>	<u>-</u>	<u>41,300</u>
Capital appropriations	<u>-</u>	<u>65,180</u>	<u>-</u>	<u>65,180</u>
Debt service for capital appropriations:				
Bond principal	-	-	179,969	179,969
Interest on bonds	-	-	16,543	16,543
Total debt service for capital appropriations	<u>-</u>	<u>-</u>	<u>196,512</u>	<u>196,512</u>
Total governmental expenditures	<u>684,790</u>	<u>65,180</u>	<u>196,512</u>	<u>946,482</u>
Excess (deficiency) of revenues under (over) expenditures	<u>(31,235)</u>	<u>73</u>	<u>-</u>	<u>(31,162)</u>
Fund balance, January 1	501,848	284,795	-	786,643
Fund balance, December 31	<u>\$ 470,613</u>	<u>\$ 284,868</u>	<u>\$ -</u>	<u>\$ 755,481</u>

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



**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures and Changes in Fund Balance in**  
**the Governmental Funds to the Statement of Activities**  
**December 31, 2015**

Total net changes in Fund Balance-Governmental Funds (B-2)	\$	(31,162)
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Amounts reported for governmental activities in the statement of activities (A-2) are different because:

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.

Capital Outlays-General Fund	37,532	
Capital Outlays-Capital Fund	65,180	
Loss on disposal of assets	(3,041)	
Depreciation Expense	<u>(188,576)</u>	(88,905)

Repayment of bond 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.

179,969

Accrual of interest on bonds is not an expenditure in the governmental funds, but the adjustment is charged to expense and is reported in the statement of activities.

Prior year	5,515	
Current year	<u>(3,519)</u>	1,996

Deferred charges on bond refundings are reported in the governmental funds as revenue in the year the bonds are issued. However, on the statement of activities, the costs are amortized over the life of the bonds.

(1,463)

Change in net position of governmental activities

\$ 60,435

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Fiduciary Funds**  
**Statement of Net Position**  
**December 31, 2015**

	<b>Length of Service Award Program</b>	<b>Totals December 31, 2015</b>
Assets:		
Investments	\$ 641,456	\$ 641,456
Total assets	<u>641,456</u>	<u>641,456</u>
Net position:		
Reserved:		
For Length of Service Award Program	<u>641,456</u>	<u>641,456</u>
Total net position	<u>\$ 641,456</u>	<u>\$ 641,456</u>

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

## FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK

## Fiduciary Funds

Statement of Changes in Net Position  
For the year ended December 31, 2015

	Length of Service Award Program	Totals December 31, 2015
Revenues and other financing sources:		
District contributions	\$ 41,300	\$ 41,300
Total contributions	41,300	41,300
Investment income:		
Net depreciation in fair value of investments	(7,517)	(7,517)
Total investment income	(7,517)	(7,517)
Total revenues and other financing sources	33,783	33,783
Expenditures:		
Benefits paid directly to participants	22,156	22,156
Administrative expenses	1,008	1,008
Total expenditures	23,164	23,164
Excess of revenues and other financing sources over expenditures	10,619	10,619
Net position, January 1	-	-
Prior period adjustment	630,837	630,837
Net position, January 1 (restated)	630,837	630,837
Net position, December 31	\$ 641,456	\$ 641,456

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

## FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK

### Notes to Financial Statements

For the year ended December 31, 2015

#### NOTE 1: GENERAL INFORMATION

##### A. Description of Reporting Entity

Fire District No. 2 of the Township of South Brunswick is a political subdivision of the Township of South Brunswick, County of Middlesex, State of New Jersey. A board of five commissioners oversees all of the operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of February.

Fire Districts are governed by the N.J.S.A. 40A: 14-70 et al. and are taxing authorities charged with the responsibility of providing the resources necessary to provide fire fighting services to the residents within its territorial location.

Fire District No. 2 of the Township of South Brunswick 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.

##### B. District Officials

The District is governed by a board of five commissioners. The following were in office at December 31, 2015:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
Roger Potts	2016
Charles Smith	2017
Charles Spahr	2018
Douglas Wolfe	2018
Thomas Young Jr.	2016

##### C. Accounting Records

The official accounting records of the Fire District No. 2 of the Township of South Brunswick are maintained in the office of the District.

##### D. Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

##### E. Component Units

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is whether:

- ♦ the organization is legally separate (can sue or be sued in their own name)
- ♦ the District holds the corporate powers of the organization
- ♦ the District appoints a voting majority of the organization's board

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

**NOTE 1: GENERAL INFORMATION (continued)**

**E. Component Units (continued)**

- ◆ the District is able to impose its will on the organization
- ◆ the organization has the potential to impose a financial benefit/burden on the District
- ◆ there is a fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

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

The basic financial statements report using the economic resources measurement focus and the accrual basis of accounting generally includes the reclassification or elimination of internal activity (between or within funds). Fiduciary fund financial statements also report using the same focus. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. The tax revenues are recognized in the year for which they are levied (see Note 2 N) while grants are recognized when grantor eligibility requirements are met.

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

**B. Fund Accounting**

The accounts of the district are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn is divided into separate "fund types."

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Fund Accounting (continued)**

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 financial resources. 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.

*Capital Projects Fund*

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities such as firehouses and fire fighting 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 of 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.

*Fiduciary Fund*

Fiduciary funds are used to account for assets held by a governmental entity for other parties (either as trustee or as an agent) and that cannot be used to finance the governmental entity's own operating programs which includes private purpose trust funds and agency funds.

**C. District Wide and Fund Financial Statements**

*District Wide Financial Statements*

The district-wide financial statements (A-1 and A-2) report information of all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these district-wide statements. District activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Individual funds are not displayed but the statements distinguish governmental activities as generally supported through taxes and user fees.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function,

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. District Wide and Fund Financial Statements (continued)**

segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. The District does not allocate general government (indirect) expenses to other functions.

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

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units. However, the fiduciary funds are not included in the district-wide statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*Fund Financial Statements*

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

**D. Basis of Accounting**

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

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

In its accounting and financial reporting, the Fire District No. 2 of the Township of South Brunswick follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB).

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Budgets and Budgetary Accounting**

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 adopt the annual budget no 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.

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

Fire Districts have a prescribed budgetary basis to demonstrate legal compliance. However, budgets are adopted on principally the same basis of accounting utilized for the preparation of the Fire Districts general-purpose financial statements.

**F. 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, other than in the special revenue fund, are reported as reservations of fund balances at year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current year-end. There were \$81,103 of encumbrances as of December 31, 2015.

**G. Cash and Cash Equivalents**

Cash and cash equivalents include petty cash, change funds and cash in banks. All certificates of deposit are recorded as cash regardless of the date of maturity. Fire districts 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 organized under the laws of the United States or of the State of New Jersey or with the New Jersey Cash Management Fund. N.J.S.A. 40A: 5-15.1 provides a list of investments that may be purchased by fire districts.

N.J.S.A. 17:9-42 requires New Jersey governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the provision of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to



**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Cash and Cash Equivalents (continued)**

protect governmental units from a loss of funds on deposit with a failed banking institution in the State of New Jersey.

Public funds are defined as the funds of any governmental unit. Public depositories include savings and loan institutions, banks (both State and National banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of five percent of its average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

**H. Prepaid Expenses**

Prepaid expenses that benefit future periods are recorded as an expenditure during the year of purchase.

**I. Debt Limitation**

N.J.S.A.40A:14-84 governs procedures for the issuance of any debt related to such purchases. In summary, fire districts may purchase fire fighting apparatus, 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 district upon the approval of the legal voters. Debt may be issued up to \$60,000 or 2 percent of the assessed valuation of property, whichever is larger.

**J. Capital Assets**

Capital assets, which include land, building, improvements and equipment, are reported in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. The District has set capitalization thresholds for reporting capital assets of \$5,000.

Depreciation is recorded on the straight-line method (with no deprecation applied to the first year of acquisition) over the useful lives of the assets as follows:

Building & Building Improvements	40 Years
Apparatus and Vehicles	10 to 20 Years
Equipment	10 to 15 Years

**K. Inventory, Materials and Supplies**

The inventory on hand at any time is small. Accordingly, purchases are charged directly to fixed assets or to maintenance costs, as applicable.

## FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK

### Notes to Financial Statements (continued)

For the year ended December 31, 2015

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### L. Interfund Receivable/Payable

Interfund receivables and payables that arise from transactions between funds that are due within one year are recorded by all funds affected by such transactions in the periods in which the transaction is executed.

##### M. Revenues and Expenditures

Revenues are recorded when they are determined to be both available and measurable. Generally, fees and other non-tax revenues are recognized when 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.

##### N. Fire District Taxes

Upon 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 realized 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 monies assessed, on or before July 1, an amount equaling 22.5% of all monies assessed, on or before October 1, an amount equaling 25% of all monies assessed and on or before December 31 an amount equal to the difference between the total of all monies assessed and the total of monies previously paid over.

##### O. Fund Equity

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Fire District No. 2 of South Brunswick classifies governmental fund balances as follows:

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK**

**Notes to Financial Statements (continued)**

**For the year ended December 31, 2015**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**O. Fund Equity (continued)**

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

**P. Net Position**

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

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

**Q. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**R. Impact of Recently Issued Accounting Principles**

Recently Issued and Adopted Accounting Pronouncements

In March 2012, the GASB issued Statement 66, *Technical Corrections—2012*—an amendment of GASB Statements No. 10 and No. 62. GASB 66 improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement is effective for periods beginning after December 15, 2012 although the District elected to early implement Statement 62 in fiscal year 2012. The adoption of GASB 66 does not have any impact on the District's financial statements.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**R. Impact of Recently Issued Accounting Principles (continued)**

reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012. The adoption of GASB 65 does not have any impact on the District's financial statements.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27*. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. The adoption of GASB 68 does not have any impact on the District's financial statements.

**S. Fair Value Measurement**

The District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

*Level I* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the District has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

*Level II* – Inputs that include quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

*Level III* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values. Subsequent to initial recognition, the District may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

The following methods and assumptions were used by the District in estimating the fair value of its financial instruments:

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**S. Fair Value Measurement (continued)**

*Mutual Funds:* Valued at the net asset value (NAV) of shares held by the plan at year end.

*Fixed Account Investment Contract:* Valued at the contract's market value as reported by the insurance company.

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The table in Note 4 sets forth by level, within the fair value hierarchy, the LOSAP's assets at fair value as of December 31, 2015.

**T. Subsequent Events**

Fire District No. 2 of the Township of South Brunswick has evaluated subsequent events occurring after December 31, 2015 through the date of July 21, 2016, which is the date the financial statements were available to be issued.

**NOTE 3: CASH AND CASH EQUIVALENTS**

The Fire District is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2015, and reported at fair value are as follows:

**Deposits:**

Demand Deposits	\$ 835,789
Total Deposits	<u>\$ 835,789</u>

**Reconciliation to Governmental Fund Statements:**

Governmental Funds	\$ 835,789
Total	<u>\$ 835,789</u>

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2015, the District's bank balance of \$838,960 was insured or collateralized as follows:

Insured	\$ 250,000
Collateralized not in the District's name (New Jersey Cash Management Fund)	259,153
Collateralized in the District's name under GUDPA	<u>329,807</u>
Total	<u>\$ 838,960</u>

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

**NOTE 4: INVESTMENTS**

**A. Custodial Credit Risk**

For an investment, custodial credit risk is a risk that, in the event of the failure of the counterparty, the Fire District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Fire District, and are held by either the counterparty or the counterparty's trust department or agent but not in the Fire District's name. All of the District's investments are held in the name of the District and are collateralized by GUDPA.

**B. Investment Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Fire District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at December 31, 2015, are provided in the below schedule.

**C. Investment Credit Risk**

The Fire District has no investment policy that limits its investment choices other than the limitation of state law as follows:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;
- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Fire District or bonds or other obligations of the local unit or units within which the Fire District is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Fire District;
- Local Government investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities.

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

**NOTE 4: INVESTMENTS (continued)**

**C. Investment Credit Risk (continued)**

As of December 31, 2015, the Fire District had the following investments and maturities:

<i>Assets at Fair Value as of December 31, 2015</i>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
LOSAP:				
Mutual funds:				
Utilities	\$ 55,192	\$ -	\$ -	\$ 55,192
Bonds	13,155	-	-	13,155
Mid Growth/Cap/Blend	139,121	-	-	139,121
Large Growth/Cap/Blend	254,884	-	-	254,884
Small Growth/Cap/Blend	13,423	-	-	13,423
International Securities	62,338	-	-	62,338
Total mutual funds	538,113	-	-	538,113
Fixed Income Option	-	-	103,343	103,343
Total assets at fair value	\$ 538,113	\$ -	\$ 103,343	\$ 641,456

**Level III Gains and Losses**

The following table sets forth a summary of changes in the fair value of the LOSAP's Level III assets for the year ended December 31, 2015.

<i>Level 3 Assets</i>	
<i>Year Ended December 31, 2015</i>	
	<i>Fixed</i>
	<u>income option</u>
Balance, beginning of year	\$ 93,384
Purchases, sales, issuances, and settlements (net)	6,915
Gain and (losses)	3,044
Balance, end of year	<u>\$ 103,343</u>

# FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK

## Notes to Financial Statements (continued)

For the year ended December 31, 2015

### NOTE 5: CAPITAL ASSETS

N.J.S.A. 40A: 14-84 governs the procedures for the acquisition of property and equipment for the fire districts, and the N.J.S.A. 40A: 14-85-87 governs procedures for the issuance of any debt related to such purchases. In summary, fire districts may purchase fire fighting apparatus, equipment, land, and buildings to house such property in an amount not exceeding five mills on the dollar of the least 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 of the assessed valuation of property, whichever is larger.

Capital assets consisted of the following at December 31, 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets that are not being depreciated:				
Land	\$ 462,991	\$ -	\$ -	\$ 462,991
Total capital assets that are not being depreciated	<u>462,991</u>	<u>-</u>	<u>-</u>	<u>462,991</u>
 Vehicles and apparatus	2,406,793	37,032	(23,975)	2,419,850
Buildings and improvements	2,510,745	-	-	2,510,745
Equipment	416,422	65,680	(12,172)	469,930
 Total assets being depreciated at historical cost	<u>5,333,960</u>	<u>102,712</u>	<u>(36,147)</u>	<u>5,400,525</u>
 Less: accumulated depreciation				
 Vehicles and apparatus	(1,331,109)	(94,427)	23,975	(1,401,561)
Buildings and improvements	(1,090,087)	(62,769)	-	(1,152,856)
Equipment	(186,675)	(31,380)	9,131	(208,924)
 Total accumulated depreciation	<u>(2,607,871)</u>	<u>(188,576)</u>	<u>33,106</u>	<u>(2,763,341)</u>
 Total capital assets being depreciated net of accumulated depreciation	<u>\$ 3,189,080</u>	<u>\$ (85,864)</u>	<u>\$ (3,041)</u>	<u>\$ 3,100,175</u>

### NOTE 6: LONG-TERM OBLIGATIONS

During the year ended December 31, 2015, the following changes occurred in long-term obligations:

	<u>Principal Outstanding January 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Principal Outstanding December 31, 2015</u>	<u>Due Within One Year</u>
General Serial Bonds	\$ 367,625	\$ -	\$179,969	\$ 187,656	\$187,656
Total Governmental Activities					
Long-term Liabilities	<u>\$ 367,625</u>	<u>\$ -</u>	<u>\$179,969</u>	<u>\$ 187,656</u>	<u>\$187,656</u>



**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

**NOTE 6: LONG-TERM OBLIGATIONS (continued)**

**Bonds Payable**

Bonds and loans are authorized in accordance with State law by the voters of the Fire District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Fire District are general obligation bonds.

2006 refunding bonds, dated August 1, 2006 in the amount of \$1,517,375 due in annual installments through 2016 bearing an interest rate of 4.5%.

Principal and interest due on bonds outstanding is as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 187,656	\$ 8,445	\$ 196,101

**NOTE 7: DEFEASEANCE OF DEBT**

On August 1, 2006 the District issued Refunding Bonds of \$1,517,376 with an interest rate of 4.5% to refund all the outstanding 1996 Bonds with interest rates ranging from 3.9% to 6.5% by placing a portion of the 2006 bonds in an irrevocable trust with an escrow agent to provide for debt service payments on the remaining balance of the 1996 bonds. The refunding met the requirements of an in-substance debt defeasance and the remaining liability of \$1,450,000 of the 1996 Bonds is removed from the financial statements. The charge on the early retirement of debt (the difference between the book value of the refunded debt and the amount required to retire the debt) is deferred and amortized over the remaining life of the old debt using the straight-line method. The deferred charge totaled \$29,126. As a result of the refunding, the District reduced its total debt service requirements by \$50,454, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$49,616, equal to 3.422% of the refunded debt. The unamortized balance of the deferred charge is \$1,464 is reported as a deferred outflow of resources. Amortization for the year ended December 31, 2015 was \$1,464.

**NOTE 8: LENGTH OF SERVICE AWARDS PROGRAM**

The District has a contractual agreement with volunteer firefighters to reward them based on length of service to ensure continued service.

The Board of Commissioners had a Length of Service Award reserve of approximately \$641,456 as of December 31, 2015.

This is not a pension plan as described under the Employee Retirement Security Act and, therefore, is not guaranteed to the volunteers until they reach the age 65. District contributions vest after five years of service.

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK**

**Notes to Financial Statements (continued)**

**For the year ended December 31, 2015**

**NOTE 9: FUNDING**

The activities of the Board of Commissioners are primarily funded by the striking of the fire tax on the property owners of the Fire District, as provided for by the state statute. For the year ended December 31, 2015, the fire tax rate on the Fire District No. 2 was approximately \$.044 per \$100 of assessed valuation.

The tax revenue is supplemented by income earned on surplus funds invested in a money market fund and investments during the year. The District also participates in the Supplemental Fire Services Program and received a basic entitlement grant of approximately \$5,380.

**NOTE 11: RISK MANAGEMENT**

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

**Property and Liability Insurance**

The District maintains commercial insurance coverage for property, liability and surety bonds. Insurance coverage was maintained in amounts consistent with prior years. The District did not have any claims that exceeded coverage.

**NOTE 12: FUND BALANCE**

**General Fund** – Of the \$470,613 General Fund fund balance at December 31, 2015, \$140,281 was assigned for subsequent year's expenditures, \$81,103 was assigned for other purposes, and the remaining balance of \$249,229 was unassigned.

**Capital Projects Fund** – Of the \$284,868 Capital Projects Fund fund balance at December 31, 2015, \$75,000 is assigned for subsequent year's expenditures, and the remaining balance of \$209,868 is restricted for capital appropriations.

**NOTE 13: EMERGENCY APPROPRIATION**

An emergency pursuant to N.J.S.A. 40A:14-78.11 was approved by the Board on July 21, 2015 and approved by the Township governing body on August 26, 2015 amounting to \$20,000 for repairs and maintenance. The total amount of the emergency was provided for in the 2015 budget in accordance with N.J.S.A. 40A:14-78.14.

**NOTE 14: PRIOR PERIOD ADJUSTMENT/RESTATEMENT**

The fiduciary fund had understated assets of the Length of Service Award Program. This resulted in an adjustment to net assets of \$630,837.

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Budgetary Comparison Schedule**  
**All Governmental Funds**  
**For the year ended December 31, 2015**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 150	\$ 150	541	\$ 391
Other revenue	-	-	8,680	8,680
Total miscellaneous revenues	150	150	9,221	9,071
Operating grant revenues:				
Supplemental fire service act	5,380	5,380	5,381	1
Total operating grant revenue	5,380	5,380	5,381	1
Total revenues	5,530	5,530	14,602	9,072
Amount raised by taxation to support district budget	900,718	900,718	900,718	-
Total anticipated revenues	906,248	906,248	915,320	9,072
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	113,530	113,530	86,303	27,227
Fringe benefits	48,305	48,305	47,142	1,163
Other expenditures:				
Shared services	80,000	80,000	80,000	-
Elections	1,700	1,756	642	1,114
Professional fees	35,000	40,800	23,712	17,088
Travel	1,000	1,000	-	1,000
Memberships/dues	500	500	380	120
Office supplies	3,600	3,600	2,009	1,591
Other outside services	1,200	1,200	476	724
Total administration	284,835	290,691	240,664	50,027

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Budgetary Comparison Schedule**  
**All Governmental Funds**  
**For the year ended December 31, 2015**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Cost of operations and maintenance:				
Fringe benefits	45,000	45,000	40,965	4,035
Other expenditures:				
Advertising	1,000	1,063	516	547
Insurance	32,000	32,000	27,466	4,534
Maintenance and repairs	72,000	102,057	86,686	15,371
Memberships/dues	500	500	106	394
Supplies	10,000	10,809	7,254	3,555
Training and education	9,000	9,000	7,853	1,147
Turnout Gear/uniforms	25,300	34,654	20,862	13,792
Utilities	48,000	48,000	39,652	8,348
Reimbursement - expenses and losses	10,250	10,250	5,850	4,400
Contracted services - Volunteer Fire Co.	37,000	37,000	37,000	-
Aid to First Aid Squad Assn.	10,800	10,800	10,800	-
Promotion	3,500	3,500	1,008	2,492
Supplemental fire services act	5,380	5,380	5,380	-
Facilities expense	71,500	71,500	49,615	21,885
Non-bondable expenses	71,000	73,297	61,813	11,484
Total cost of operations and maintenance	<u>452,230</u>	<u>494,810</u>	<u>402,826</u>	<u>91,984</u>
Length of service award program	50,550	91,850	41,300	50,550
Capital outlay	145,000	145,000	65,180	79,820
Debt service for capital appropriations:				
Bond principal	179,970	179,970	179,969	1
Interest on bonds	16,544	16,544	16,543	1
Total debt service for capital appropriations	<u>196,514</u>	<u>196,514</u>	<u>196,512</u>	<u>2</u>
Total operating appropriations	<u>1,129,129</u>	<u>1,218,865</u>	<u>946,482</u>	<u>272,383</u>
Other financing sources and uses:				
Deferred charge - emergency appropriation	20,000	20,000	-	20,000
Total other financing sources and uses:	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Excess (deficiency) of revenues under (over) expenditures	<u>(242,881)</u>	<u>(332,617)</u>	<u>(31,162)</u>	<u>301,455</u>
Fund balance, January 1	<u>786,643</u>	<u>786,643</u>	<u>786,643</u>	<u>-</u>
Fund balance, December 31	<u>\$ 543,762</u>	<u>\$ 454,026</u>	<u>\$ 755,481</u>	<u>\$ 301,455</u>

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK  
 Long-Term Debt  
 Schedule of Serial Bonds Payable  
 For the year ended December 31, 2015

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance</u>		<u>Retired</u>	<u>Balance December 31, 2015</u>
			<u>Date</u>	<u>Amount</u>		<u>January 01, 2015</u>	<u>Issued</u>		
Refunded Bonds, 2006	8/18/06	\$ 1,517,376	8/1/16	187,656	4.50%	\$ 367,625	\$ -	\$ 179,969	\$ 187,656
						\$ 367,625	\$ -	\$ 179,969	\$ 187,656

To the Board of Commissioners  
of the Fire District No. 2 of the Township of South Brunswick  
South Brunswick, New Jersey

We have audited the financial accounts and transactions of the Fire District No. 2 of the Township of South Brunswick in the County of Middlesex for the year ended December 31, 2015. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments and Recommendations* for the year then ended.

### GENERAL COMMENTS AND RECOMMENDATIONS

#### Contracts and Agreements Required to be Advertised by (N.J.S.A.40A:11-4)

*N.J.S.A.40A:11-4* - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500, except by contract or agreement.

It is pointed out that the Board of Fire Commissioners has the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal 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 authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.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 furnishing or hiring 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.

#### Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$2,625 "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 advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

### **Examination of Bills**

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, or certification.

### **Examination of Cash Receipts**


A test check of cash receipts was made.

### **Acknowledgment**

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

During our review, we did not note any problems or weaknesses significant enough that would affect our ability to express an opinion on the financial statements taken as a whole.

Should you have any questions concerning our comments or recommendations, or should you desire any assistance in implementing our recommendations, please call us.

  
**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

July 21, 2016  
Bordentown, New Jersey

