

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

Financial Statements

For the year ended December 31, 2017

(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, 2017
(With Independent Auditor's Report thereon)

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HOLMAN | FRENIA
ALLISON, P.C.

Certified Public Accountants & Consultants

680 Hooper Avenue, Bldg B, Toms River, NJ 08753 • Tel: 732.797.1333
618 Stokes Road, Medford, NJ 08055 • Tel: 609.953.0612
912 Highway 33, Suite 2, Freehold, NJ 07728 • Tel: 732.409.0800
194 East Bergen Place, Red Bank, NJ 07701 • Tel: 732.747.0010

www.hfacpas.com

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District No. 2 of the Township of South Brunswick
County of Middlesex
Township of South Brunswick, New Jersey 08852

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2017, 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.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended December 31, 2017 the District adopted Governmental Accounting Standards Board (GASB) 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*. Our opinion is not modified with respect to this matter.

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 accompanying other supplementary information as listed in the table of contents, is presented for purposes of additional analysis as required by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not a required part of the basic financial statements.

The accompanying long-term debt schedule of obligations under capital leases 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 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 accompanying long-term debt schedule of obligations under capital leases is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2018 on our consideration of the Fire District No. 2 of the Township of South Brunswick'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 Fire District No. 2 of the Township of South Brunswick's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "HOLMAN FRENIA ALLISON PC". The signature is written in a cursive, flowing style.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

May 21, 2018
Toms River, New Jersey



HOLMAN | FRENIA
ALLISON, P.C.

Certified Public Accountants & Consultants

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912 Highway 33, Suite 2, Freehold, NJ 07728 • Tel: 732.409.0800
194 East Bergen Place, Red Bank, NJ 07701 • Tel: 732.747.0010

www.hfacpas.com

**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
County of Middlesex
Township of South Brunswick, New Jersey 08852

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 Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Fire District No. 2 of the Township of South Brunswick as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Fire District No. 2 of the Township of South Brunswick's basic financial statements and have issued our report thereon dated May 21, 2018.

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.

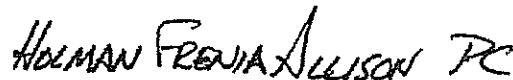
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or 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 Fire District No. 2 of the Township of South Brunswick's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Audit 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

May 21, 2018
Toms River, New Jersey

TOWNSHIP OF SOUTH BRUNSWICK FIRE DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

This section of the Fire District No. 2 of the Township of South Brunswick (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, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- During 2017, the District operated at a surplus of approximately \$143,700. The District had a surplus of approximately \$135,000 in 2016. This is an increase of approximately \$8,700.
- As described in note 12 to the financial statements, "Prior Period Adjustment/Restatement of Net Position," the District has adopted the provisions of GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB No. 6, for the year ended December 31, 2017*. The adoption of this principle resulted in a restatement of the District's opening fund balance as of January 1, 2017 in the amount of \$710,379 as indicated on note 11 to the financial statements. Prior year balances reflected in the MD&A have been updated, for comparison purposes, to reflect the change where indicated.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. Fire District No. 2 of the Township of South Brunswick's basic financial statements are comprised of three components: district-wide financial statements; fund financial statements; and notes to the basic financial statements.

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.

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.

Fire District No. 2 of the Township of South Brunswick's net position is a useful indicator of the District's financial condition. At the end of 2017 the District's assets exceeded the liabilities by approximately \$3,944,708. The largest portion of Fire District No. 2 of the Township of South Brunswick's assets (63.7%) is its investment in capital assets. The District uses these assets to provide fire-fighting services to the community; consequently, these assets are not available for future spending. Fire District No. 2 of the Township of South Brunswick's investment in capital assets is reported net of any related debt. The Board had debt of approximately \$575,800 as of December 31, 2017.

Table one summarizes the changes in net position between December 31, 2017 and 2016 (respectively):

TABLE ONE
Condensed Statement of Net Position

	<u>2017</u>	<u>2016</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Current assets	\$ 1,124,399	\$ 1,565,801	(441,402)	(28.2%)
Capital assets, net	3,480,154	2,969,663	510,491	17.2%
Noncurrent assets	<u>859,505</u>	<u>710,379</u>	149,126	21.0%
Total assets	<u>5,464,058</u>	<u>5,245,843</u>	218,215	4.2%
Total liabilities	<u>(1,519,350)</u>	<u>(1,444,849)</u>	74,501	5.2%
Net position	<u>\$ 3,944,708</u>	<u>\$ 3,800,994</u>	143,714	3.6%

Analysis of net position

	<u>2017</u>	<u>2016</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Investment in capital assets, net of related debt	\$ 2,904,389	\$ 2,969,633	(65,274)	(2.2%)
Restricted for:				
Capital projects	382,566	296,560	86,006	22.5%
Assigned for				
Other purposes	50,900	45,612	5,288	11.6%
Unrestricted	<u>606,853</u>	<u>489,159</u>	117,694	24%
Total net position	<u>\$ 3,944,708</u>	<u>\$ 3,800,994</u>	143,714	3.6%

The net position of Fire District No. 2 of the Township of South Brunswick increased approximately \$143,700 during the 2017 period.

Operating Activities

Table two summarizes the changes in revenues, expenses and net position between fiscal years December 31, 2017 and 2016 (respectively).

TABLE TWO
Condensed Summary of Revenues, Expenses and Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Revenues				
General revenues:				
District taxes levied for:				
General purposes	\$699,199	\$669,375	29,824	4.5%
Capital projects fund	137,930	75,000	62,930	83.9%
Debt service fund	103,346	196,100	(92,754)	(47.3%)
Supplemental fire grant				
service grant	5,380	5,380	-	-
Other	<u>27,120</u>	<u>21,066</u>	6,054	0.6%
Total Revenues	<u>972,975</u>	<u>966,921</u>	6,054	0.6%
Expenses:				
Administrative expenses	261,764	256,938	4,826	1.9%
Cost of operations and maintenance	539,124	544,982	(5,858)	(1.1%)
Length of service award program	<u>28,373</u>	<u>30,042</u>	(1,669)	(5.6%)
Total program expenses	<u>829,261</u>	<u>831,872</u>	(2,611)	(0.3%)
Change in net position	143,714	135,049	8,665	6.4%
Net position, January 1	<u>3,800,994</u>	<u>3,665,945</u>	135,049	3.7%
Net position, December 31	<u>\$ 3,944,708</u>	<u>\$ 3,800,994</u>	143,714	3.8%

Property tax revenue constituted 96.7% of the total governmental activities revenues received by Fire District No. 2 of the Township of South Brunswick in 2017. In 2016 the property tax revenue constituted 97.3% of total revenues.

The Cost of Operations & Maintenance was 65.0% and 65.5% of the District's total expenses in 2017 and 2016, respectively. Administration expenses equaled 31.4% and 30.9% of the total expenses in 2017 and 2016, respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

Fire District No. 2 of the Township of South Brunswick uses fund accounting to document compliance with finance-related legal requirements.

Government Fund

The primary objective of the District's governmental funds is to report on cash flows in and out during the period and the ending balances of the spendable resources. This information is useful to evaluate the performance of the District and to assess its future needs and available resources.

As of December 31, 2017, the combined balance of the governmental cash funds of Fire District No. 2 of the Township of South Brunswick was approximately \$1,124,399. This balance is approximately \$441,402 lower than last year's combined governmental funds cash balance. The funds realized a combined excess of revenues over expenditures for the year of approximately \$357,700.

The combined balance of the governmental funds of Fire District No. 2 of the Township of South Brunswick was a surplus of approximately \$357,700. An amount of approximately \$1,520,000 is designated as unreserved fund balance. The Board has designated approximately \$191,200 for utilization in the 2018 budget. Approximately \$382,600 is restricted for capital.

The general fund is the main operating fund of Fire District No. 2 of the Township of South Brunswick. At the end of 2017, the total fund balance of the general fund was approximately \$1,520,000.

During 2017 the general fund balance of Fire District No. 2 of the Township of South Brunswick increased by approximately \$271,700. The primary reasons for this increase are as follows:

- The Board's revenue increased approximately \$35,800
- The Board's liabilities increased by approximately \$14,800.

At the end of 2017, the District had a capital projects fund balance of approximately \$382,600. This was an increase of approximately \$86,000 from the previous year. The major changes in this fund balance were:

- There was a budget appropriation of approximately \$150,000

GENERAL FUND BUDGETARY HIGHLIGHTS

The original 2017 Budget was balanced with the utilization of \$108,950 of General Fund surplus and 185,248 of the restricted surplus. The Board realized a budgetary surplus of approximately \$208,600 in 2017.

The District had total expenditures in excess of revenues of approximately \$375,400 in 2016, and in 2017 they realized a surplus of approximately \$208,600. In 2018 the Board expects to utilize \$140,281 of general fund surplus and 150,000 of the restricted surplus.

Administrative expenses were approximately \$58,700 less than projected in 2017. Operating expenses were approximately \$130,900 less than projected in 2017.

CAPITAL ASSETS

As of December 31, 2017 Fire District No. 2 of the Township of South Brunswick had invested in capital assets for government activities approximately \$3,480,20. They purchased approximately \$717,100 of capital assets in 2017.

Table three summarizes the changes in capital assets at December 31, 2017 and 2016 (respectively).

TABLE THREE
Capital Assets - Net of Depreciation

	<u>2017</u>	<u>2016</u>	<u>Change</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>462,991</u>	-
Vehicles and apparatus	2,994,037	2,483,535	510,502
Building and improvements	2,510,745	2,510,745	-
Equipment	<u>461,134</u>	<u>461,134</u>	-
Totals at historical cost	<u>5,965,916</u>	<u>5,455,414</u>	510,502
Less: accumulated depreciation			
Vehicles and apparatus	(1,404,707)	(1,499,286)	94,579
Buildings and improvements	(1,278,394)	(1,215,625)	(62,769)
Equipment	<u>(265,652)</u>	<u>(233,831)</u>	(31,821)
Total accumulated depreciation	<u>(2,948,753)</u>	<u>(2,948,742)</u>	11
Total capital assets, net of accumulated depreciation	<u>\$ 3,480,154</u>	<u>\$ 2,969,663</u>	510,491

Long-term Obligations

The Fire District's long-term debt at December 31, 2017 was \$575,765. Principal payments related to the capital lease are due annually and mature on October 19, 2023. Additional information on the Fire District's long-term debt can be found in Note 6 in the financial statements.

Next Year's Budget

The District adopted a \$1,266,152 budget for 2018, an increase of \$25,499 when compared to 2017. Fund Balance utilized in 2018 decreased by \$3,917. Capital appropriations increased by \$21,184. The Tax Levy increased by \$27,916 when compared to 2017.

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.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Statement of Net Position
December 31, 2017

	<u>Governmental Activities</u>
	<u>2017</u>
Assets:	
Current assets:	
Cash (Note 3)	\$ 1,124,399
Total current assets	<u>1,124,399</u>
Noncurrent assets:	
Investment in length of service award program (Note 6)	<u>859,505</u>
Total noncurrent assets	<u>859,505</u>
Capital assets, net:	
Nondepreciable (Note 5)	462,991
Depreciable (Note 5)	<u>3,017,163</u>
Total capital assets	<u>3,480,154</u>
Total assets	<u>\$ 5,464,058</u>
Liabilities:	
Current liabilities:	
Accounts payable	\$ 76,109
Grant advance	5,380
Accrued interest	2,591
Capital lease payable (Note 6)	<u>90,908</u>
Total current liabilities	<u>174,988</u>
Noncurrent liabilities:	
Investment in length of service award program payable (Note 6)	859,505
Capital lease payable (Note 6)	<u>484,857</u>
Total noncurrent liabilities	<u>1,344,362</u>
Total liabilities	<u>1,519,350</u>
Net position:	
Net investment in capital assets	2,904,389
Restricted net position:	
Capital	382,566
Other purposes	50,900
Unrestricted	<u>606,853</u>
Total net position	<u>3,944,708</u>
Total liabilities and net position	<u>\$ 5,464,058</u>

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

EXHIBIT A-2

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Statement of Activities
For the year ended December 31, 2017

		<u>Governmental Activities</u>
	<u>Expenses</u>	<u>2017</u>
Government activities:		
Operation appropriations:		
Administration	\$ 261,764	\$ 261,764
Costs of operations and maintenance	525,165	525,165
Interest expense	13,959	13,959
Length of service award contribution	28,373	28,373
	<u>829,261</u>	<u>829,261</u>
Total government activities		
General revenues:		
Miscellaneous revenue		27,120
Operating grant revenues		5,380
Amount raised by taxation		<u>940,475</u>
Total general revenues		<u>972,975</u>
Change in net position		143,714
Net position, January 1		<u>3,800,994</u>
Net position, December 31		<u><u>\$ 3,944,708</u></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, 2017

				<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>December 31, 2017</u>
Assets:				
Current assets:				
Cash	\$ 741,833	\$ 382,566	\$ -	\$ 1,124,399
Total current assets	<u>741,833</u>	<u>382,566</u>	<u>-</u>	<u>1,124,399</u>
Noncurrent assets:				
Investment in length of service award program	859,505	-	-	859,505
Total noncurrent assets	<u>859,505</u>	<u>-</u>	<u>-</u>	<u>859,505</u>
Total assets	<u>\$ 1,601,338</u>	<u>\$ 382,566</u>	<u>\$ -</u>	<u>\$ 1,983,904</u>
Liabilities, equity and other credits:				
Accounts payable	\$ 76,109	\$ -	\$ -	\$ 76,109
Grant advance - SFSP	5,380	-	-	5,380
Total liabilities	<u>81,489</u>	<u>-</u>	<u>-</u>	<u>81,489</u>
Fund balances:				
Restricted for:				
Capital	-	232,566	-	232,566
Length of service award program	859,505	-	-	859,505
Assigned for:				
For subsequent year's expenditures	140,281	150,000	-	290,281
Other purposes	50,900	-	-	50,900
Unassigned, reported in:				
General fund	<u>469,163</u>	<u>-</u>	<u>-</u>	<u>469,163</u>
Total fund balance	<u>1,519,849</u>	<u>382,566</u>	<u>-</u>	<u>1,902,415</u>
Total liabilities and fund balance	<u>\$ 1,601,338</u>	<u>\$ 382,566</u>	<u>\$ -</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 \$6,428,907 and the accumulated depreciation is \$2,948,753.				3,480,154
Accrued interest not recorded in current financial statements.				(2,591)
Long-term liabilities, including capital leases and length of service award program payable, are not due and payable in the current period and are therefore not reported as liabilities in the funds.				<u>(1,435,270)</u>
Net position of governmental activities				<u>\$ 3,944,708</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, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total December 31, 2017</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income - unrestricted cash and investments	\$ 2,387	\$ 471	\$ -	\$ 2,858
Investment income - length of service award program	137,362	-	-	137,362
Other revenue	24,262	-	-	24,262
Total miscellaneous revenues	164,011	471	-	164,482
Operating grant revenues:				
Supplemental fire service act	5,380	-	-	5,380
Total operating grant revenue	5,380	-	-	5,380
Total revenues	169,391	471	-	169,862
Amount raised by taxation to support district budget	699,199	137,930	103,346	940,475
Total anticipated revenues	868,590	138,401	103,346	1,110,337
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	97,056	-	-	97,056
Fringe benefits	65,605	-	-	65,605
Other expenditures:				
Shared services	67,000	-	-	67,000
Elections	449	-	-	449
Professional fees	24,788	-	-	24,788
Travel	2,850	-	-	2,850
Memberships/dues	396	-	-	396
Office supplies	3,174	-	-	3,174
Other outside services	446	-	-	446
Total administration	261,764	-	-	261,764

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, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total December 31, 2017</u>
Cost of operations and maintenance:				
Fringe benefits	36,278	-		36,278
Other expenditures:				
Advertising	335	-	-	335
Insurance	29,262	-	-	29,262
Maintenance and repairs	46,517	-	-	46,517
Supplies	5,991	-	-	5,991
Training and education	3,480	-	-	3,480
Turnout Gear/uniforms	9,695	-	-	9,695
Utilities	38,483	-	-	38,483
Reimbursement - expenses and losses	6,300	-	-	6,300
Contracted services - Volunteer Fire Co.	42,000	-	-	42,000
Aid to First Aid Squad Assn.	11,200	-	-	11,200
Promotion	2,694	-	-	2,694
Supplemental fire services act	5,380	-	-	5,380
Facilities expense	66,530	-	-	66,530
Non-bondable assets	14,364	-	-	14,364
Total cost of operations and maintenance	<u>318,509</u>	<u>-</u>	<u>-</u>	<u>318,509</u>
Length of service award program				
Administrative fees	1,220	-	-	1,220
Participant forfeitures	15,389	-	-	15,389
Total length of service award program	<u>16,609</u>	<u>-</u>	<u>-</u>	<u>16,609</u>
Capital appropriations	<u>-</u>	<u>717,147</u>	<u>-</u>	<u>717,147</u>
Debt service for capital appropriations:				
Capital leases	-	-	88,987	88,987
Interest on capital leases	-	-	14,359	14,359
Total debt service for capital appropriations	<u>-</u>	<u>-</u>	<u>103,346</u>	<u>103,346</u>
Total governmental expenditures	<u>596,882</u>	<u>717,147</u>	<u>103,346</u>	<u>1,417,375</u>
Excess (deficiency) of revenues under (over) expenditures	271,708	(578,746)	-	(307,038)
Other financing sources and uses:				
Proceeds from capital leases	-	664,752	-	664,752
Total other financing sources and uses	<u>-</u>	<u>664,752</u>	<u>-</u>	<u>664,752</u>
Excess (deficiency) of revenues and other financing sources under (over) expenditures and other financing sources	271,708	86,006	-	357,714
Fund balance, January 1, unadjusted	537,762	296,560	-	834,322
Prior period adjustment (Note 11)	710,379	-	-	710,379
Fund balance, January 1, restated	<u>1,248,141</u>	<u>296,560</u>	<u>-</u>	<u>1,544,701</u>
Fund balance, December 31	<u>\$ 1,519,849</u>	<u>\$ 382,566</u>	<u>\$ -</u>	<u>\$ 1,902,415</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, 2017

Total net changes in Fund Balance-Governmental Funds (B-2) \$ 357,714

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-Capital Fund	717,147	
Depreciation Expense	<u>(206,656)</u>	
		510,491

Length of service award program contribution is not reported in governmental funds as expenditures. However, in the statement of net position, the expense is equal to the amount of contributions to the volunteers accounts as determined by the benefit terms. Change in value of LOSAP investments is not a revenue in the government wide financial statements as it is payable to the volunteers in accordance with the plan benefits.

District contribution to length of service award program	(28,373)	
Appreciation in fair value of investments	(137,362)	
Administrative fees	1,220	
Participant forfeitures	<u>15,389</u>	
		(149,126)

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. 88,987

Accrual of interest on capital leases 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	-	
Current year	<u>(2,591)</u>	
		(2,591)

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	2,991	
Current year	<u>-</u>	
		2,991

Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities, issuing debt increases long-term liabilities in the statement of net assets.

Capital lease proceeds	(664,752)	
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Change in net position of governmental activities	\$ 143,714	
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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, 2017

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.

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
- 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.

There were no additional entities required to be included in the reporting entity under the criteria as described above. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. District Officials

The District is governed by a board of five commissioners. The following were in office at December 31, 2017:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
Roger Potts	2019
Charles Smith	2020
Charles Spahr	2021
Douglas Wolfe	2021
Thomas Young Jr.	2019

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.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 1: GENERAL INFORMATION (continued)

D. Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

E. Component Units

GASB Statement No.14, The Financial Reporting Entity, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units and GASB Statement No. 61, The Financial Reporting Entity: Omnis - an amendment of GASB Statements No. 14 and No. 34 and GASB Statement No. 80, Blending Requirements for Certain Component Units. . The District had no component units as of for the year ended December 31, 2017.

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 government-wide 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

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

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."

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.

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, segment, or component unit.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. District Wide and Fund Financial Statements (continued)

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 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, 2017

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 \$50,900 of encumbrances as of December 31, 2017.

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, 2017

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 depreciation 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, 2017

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, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Fund Equity

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

Adopted Accounting Pronouncements

The following GASB Statements became effective for the fiscal year ended December 31, 2017:

Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Impact of Recently Issued Accounting Principles (continued)

transparency. The adoption of this Statement resulted in a prior period adjustment. See Note 11 for additional information.

Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The adoption of this Statement had no impact on the District's financial statements.

Statement No. 77, Tax Abatement Disclosures. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. The adoption of this Statement had no impact on the District's financial statements.

Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. The adoption of this Statement had no impact on the District's financial statements.

Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The adoption of this Statement had no impact on the District's financial statements.

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions. This Statement replaces the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agency Employers and Agent Multi-Employer Plans, for OPEB Statement No. 74, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the District's financial statements.

Statement No. 80, Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Impact of Recently Issued Accounting Principles (continued)

This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. This Statement will be effective for the year ended December 31, 2018. Management does not expect this Statement to have a material impact on the District's financial statements.

Statement No. 81, Irrevocable Split-Interest Agreements. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will be effective for the year ended December 31, 2018. Management does not expect this Statement to have a material impact on the District's financial statements.

Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and 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 will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the District's financial statements.

Statement No. 83, Certain Asset Retirement Obligations. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. This Statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to have a material impact on the District's financial statements.

Statement No. 84, Fiduciary Activities. The Statement intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. To that end, Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. This Statement will be effective for the year ended December 31, 2019. Management has not yet determined the potential impact on the District's financial statements.

Statement No. 85, Omnibus 2017. This Statement provides guidance that addresses several different accounting and financial reporting issues identified during the implementation and application of other GASB pronouncements. This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the District's financial statements.

Statement No. 86, Accounting for Certain Debt Extinguishment. Statement No. 86 provides guidance for transactions in which cash and other monetary assets acquired with only existing resources, that is, resources other than the proceeds of refunding debt, are placed in an irrevocable

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Impact of Recently Issued Accounting Principles (continued)

trust for the sole purpose of extinguishing debt. This Statement will be effective for the year ended December 31, 2018. Management does not expect this Statement to have a material impact on the District's financial statements.

Statement No. 87, Leases. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. This Statement will be effective for the year ended December 31, 2020. Management has not yet determined the potential impact on the District's financial statements.

S. Unrealized Gains and Losses

Governmental Accounting Standards Board (GASB) has established GASB-31, which requires public agencies to report the financial effect of all unrealized gains and losses on invested funds. As of December 31, 2017, the unrealized gains for the Fire District were not considered to be material to the financial statements taken as a whole, and accordingly, has not been reflected in the financial statements.

T. 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.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Fair Value Measurement (continued)

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

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, 2017.

U. Subsequent Events

Fire District No. 2 of the Township of South Brunswick has evaluated subsequent events occurring after December 31, 2017 through the date of May 21, 2018, which is the date the financial statements were available to be issued.

NOTE 3: CASH

The Fire District is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2017, and reported at fair value are as follows:

<u>Type</u>	<u>Carrying Value</u>
Deposits:	
Demand Deposits	\$ 1,124,399
Total Deposits	<u>\$ 1,124,399</u>
Reconciliation to Governmental Fund Statements:	
Governmental Funds	\$ 1,124,399
Total	<u>\$ 1,124,399</u>

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 3: CASH (continued)

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, 2017, the District's bank balance of \$1,131,649 was insured or collateralized as follows:

Insured	\$ 750,000
Collateralized not in the District's name (New Jersey Cash Management Fund)	262,414
Collateralized in the District's name under GUDPA	<u>119,235</u>
Total	<u>\$ 1,131,649</u>

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, 2017, 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;

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 4: INVESTMENTS (continued)

C. Investment Credit Risk (continued)

- 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.

As of December 31, 2017, the Fire District had the following investments and maturities:

	Assets at Fair Value as of December 31, 2017			
	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
LOSAP:				
Mutual Funds:				
Growth	\$481,173	\$ -	\$ -	\$ 481,173
Emerging markets	1,930	-	-	1,930
Small blend/value	54,498	-	-	54,498
Mid-cap blend/growth	150,259	-	-	150,259
Large growth/value	24,690	-	-	24,690
International securities	34,899	-	-	34,899
Total mutual funds	<u>747,449</u>	<u>-</u>	<u>-</u>	<u>747,449</u>
Fixed account investment contract	-	-	112,056	112,056
Total LOSAP at fair value	<u>\$ 747,449</u>	<u>\$ -</u>	<u>\$ 112,056</u>	<u>\$ 859,505</u>

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, 2017:

	Level III Assets Year Ended December 31, 2017
Balance, beginning of year	\$ 107,465
Purchases, sales, issuances and settlements (net)	5,424
Gains & (Losses)	<u>(833)</u>
Balance, end of year	<u>\$ 112,056</u>

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2017

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, 2017:

	Balance <u>12/31/2016</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>12/31/17</u>
Governmental activities:				
Capital assets				
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	2,483,535	717,147	(206,645)	2,994,037
Building and improvements	2,510,745	-	-	2,510,745
Equipment	<u>461,134</u>	<u>-</u>	<u>-</u>	<u>461,134</u>
Totals at historical cost	<u>5,455,414</u>	<u>717,147</u>	<u>(206,645)</u>	<u>5,965,916</u>
Less: accumulated depreciation				
Vehicles and apparatus	(1,499,286)	(112,066)	206,645	(1,404,707)
Buildings and improvements	(1,215,625)	(62,769)	-	(1,278,394)
Equipment	<u>(233,831)</u>	<u>(31,821)</u>	<u>-</u>	<u>(265,652)</u>
Total accumulated depreciation	<u>(2,948,742)</u>	<u>(206,656)</u>	<u>206,645</u>	<u>(2,948,753)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 2,969,663</u>	<u>\$ 510,491</u>	<u>\$ -</u>	<u>\$ 3,480,154</u>

NOTE 6: LONG-TERM OBLIGATIONS

During the year ended December 31, 2017, the following changes occurred in long-term obligations:

	Balance <u>12/31/16</u>	Accrued/ <u>increases</u>	Retired/ <u>decreases</u>	Balance <u>12/31/17</u>	Due within <u>One Year</u>
Obligations under capital lease	\$ 664,752	\$ -	(88,986)	\$ 575,766	\$ 90,908
Length of service award program	<u>710,379</u>	<u>165,735</u>	<u>(16,609)</u>	<u>859,505</u>	<u>-</u>
Total	<u>\$1,375,131</u>	<u>\$ 165,735</u>	<u>\$ (105,592)</u>	<u>\$1,435,271</u>	<u>\$ 90,908</u>

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 6: LONG-TERM OBLIGATIONS (continued)

Capital Leases Payable

On October 19, 2016 the District entered into a lease agreement with Municipal Asset Management to finance a Pierce Pumper Tanker truck. The following schedule represents a summary of the capital lease commitments as of December 31, 2016:

For the year ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 90,908	\$ 12,437	\$ 103,345
2019	92,872	10,473	103,345
2020	94,878	8,467	103,345
Thereafter	<u>297,107</u>	<u>12,928</u>	<u>310,035</u>
Total	<u>\$ 575,765</u>	<u>\$ 44,305</u>	<u>\$ 620,070</u>

NOTE 7: LENGTH OF SERVICE AWARDS PROGRAM

The District's length of service awards program ("LOSAP"), which is reported in the District's general fund, was created by a resolution adopted on December 21, 1998 pursuant to Section 457 (e)(11)(B) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the length of service award program as enacted into federal law in 1997. The voters of the District approved the adoption of the LOSAP at the general election held on February 20, 1999, and the first year of eligibility for entrance into the LOSAP by qualified volunteers was calendar year 1999. The LOSAP provides tax deferred income benefits to active volunteer firefighters and emergency medical personnel.

The tax deferred income benefits for the active volunteer firefighters and emergency medical personnel serving the residents the Township of South Brunswick come from contributions made solely by the governing body of the District, on behalf of those volunteers who meet the criteria of a plan created by that governing body. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

Contributions - If an active member meets the year of active service requirement, a length of service awards program must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually. The District elected to contribute \$1,669 for the year ended December 31, 2017, per eligible volunteer, into the Plan. During the year ended December 31, 2017, the District contributed a total of \$28,373 to the plan. Participants direct the investment of the contributions into various investment options offered by the Plan. The District has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the Plan. The types of investment options, and the administering of such investments, rests solely with the plan administrator.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK

Notes to Financial Statements (continued)

For the year ended December 31, 2017

NOTE 7: LENGTH OF SERVICE AWARDS PROGRAM (continued)

Participant Accounts - Each participant's account is credited with the District's contribution and Plan earnings, and charged with administrative expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. The District has placed the amounts deferred, including earnings, in a trust maintained by a third-party administrator for the exclusive benefit of the plan participants and their beneficiaries. Such funds, although subject to the claims of the District's creditors until distributed as benefit payments, are not available for funding the operations of the District. The funds may also be used to pay the administrative fees charged by the Plan Administrator. Lincoln Financial Group ("Plan Administrator"), an approved Length of Service Awards Program provider, is the administrator of the Plan. The District's practical involvement in administering the Plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the Plan Administrator.

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

Payment of Benefits - Upon retirement or disability, participants may select various payout options, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate. In the event of an unforeseeable emergency, as outlined in the Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the local plan administrator to payout a portion of vested accumulated deferrals.

Forfeited Accounts - There were \$15,389 forfeitures during the year ended December 31, 2017.

Investments - The investments of the length of service awards program reported on the governmental funds balance sheet are recorded at fair value.

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

NOTE 8: FUNDING

The activities of the Board of Commissioners are primarily funded by the striking of the fire tax on the property owners within the Fire District, as provided for by the state statute. For the year ended December 31, 2017, the fire tax rate on the Fire District No. 2 was approximately \$.045 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.

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 9: 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 10: FUND BALANCE

General Fund – Of the \$1,519,849 General Fund fund balance at December 31, 2017, \$859,505 is restricted for length of service award program; \$140,281 is assigned for subsequent year's expenditures, \$50,900 is assigned for other purposes, and the remaining balance of \$469,163 is unassigned.

Capital Projects Fund – Of the \$382,566 Capital Projects Fund fund balance at December 31, 2017, \$150,000 is assigned for subsequent year's expenditures, and the remaining balance of \$232,566 is restricted for capital appropriations.

NOTE 11: PRIOR PERIOD ADJUSTMENT

Net position as of January 1, 2017, has been restated as follows for the implementation of GASB 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. Net position was restated as follows:

		Governmental Fund:	Fiduciary Fund:
	Governmental Activities	General Fund	Length of Service Award Program
Net position as previously reported at December 31, 2016	\$ 3,800,994	\$ 537,762	\$ 710,379
Prior period adjustment - implementation of GASB 73:			
Reclassification of length of service award program investment balance from Fiduciary Fund to Governmental Fund	710,379	710,379	(710,379)
Addition of length of service award program Payable to Governmental Activities	(710,379)	-	-
Total prior period adjustment	-	710,379	(710,379)
Net position as restated January 1, 2017	\$ 3,800,994	\$ 1,248,141	\$ -

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
 Budgetary Comparison Schedule
 All Governmental Funds
 For the year ended December 31, 2017

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 600	\$ 600	2,858	\$ 2,258
Other revenue	-	-	24,262	24,262
Total miscellaneous revenues	600	600	27,120	26,520
Operating grant revenues:				
Supplemental fire service act	5,380	5,380	5,380	-
Total operating grant revenue	5,380	5,380	5,380	-
Total revenues	5,980	5,980	32,500	26,520
Amount raised by taxation to support district budget	940,475	940,475	940,475	-
Total anticipated revenues	946,455	946,455	972,975	26,520
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	126,370	121,370	97,056	24,314
Fringe benefits	63,051	68,051	65,605	2,446
Other expenditures:				
Shared services	80,000	80,000	67,000	13,000
Elections	750	807	449	358
Professional fees	36,000	42,000	24,788	17,212
Travel	9,000	9,000	2,850	6,150
Memberships/dues	500	500	396	104
Office supplies	3,600	3,600	3,174	426
Other outside services	1,200	1,200	446	754
Total administration	320,471	326,528	261,764	64,764

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Budgetary Comparison Schedule
All Governmental Funds
For the year ended December 31, 2017

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Cost of operations and maintenance:				
Fringe benefits	55,000	55,000	36,278	18,722
Other expenditures:				
Advertising	1,200	1,264	335	929
Insurance	35,000	35,000	29,262	5,738
Maintenance and repairs	80,000	82,760	46,517	36,243
Memberships/dues	500	500		500
Supplies	12,000	12,000	5,991	6,009
Training and education	9,000	9,000	3,480	5,520
Turnout Gear/uniforms	18,800	26,158	9,695	16,463
Utilities	45,000	45,000	38,483	6,517
Reimbursement - expenses and losses	9,600	9,600	6,300	3,300
Contracted services - Volunteer Fire Co.	43,200	43,200	42,000	1,200
Aid to First Aid Squad Assn.	11,200	11,200	11,200	-
Promotion	3,500	3,500	2,694	806
Supplemental fire services act	5,380	5,380	5,380	-
Facilities expense	80,000	81,000	66,530	14,470
Non-bondable expenses	40,000	40,000	14,364	25,636
Total cost of operations and maintenance	<u>449,380</u>	<u>460,562</u>	<u>318,509</u>	<u>142,053</u>
Length of service award program	44,278	72,651	28,373	44,278
Capital outlay	323,178	323,178	717,147	(393,969)
Debt service for capital appropriations:				
Capital leases	88,987	88,987	88,987	-
Interest on capital leases	14,359	14,359	14,359	-
Total debt service for capital appropriations	<u>103,346</u>	<u>103,346</u>	<u>103,346</u>	<u>-</u>
Total operating appropriations	<u>1,240,653</u>	<u>1,286,265</u>	<u>1,429,139</u>	<u>(142,874)</u>
Excess (efficiency) of revenues over (under) expenditures	(294,198)	(339,810)	(456,164)	169,394
Other financing sources and uses:				
Proceeds from capital lease	-	-	664,752	(664,752)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>664,752</u>	<u>(664,752)</u>
Excess (deficiency) of revenues and other financing sources under (over) expenditures and other financing uses	(294,198)	(339,810)	208,588	(495,358)
Fund balance, January 1	<u>834,322</u>	<u>834,322</u>	<u>834,322</u>	<u>-</u>
Fund balance, December 31	<u>\$ 540,124</u>	<u>\$ 494,512</u>	<u>\$ 1,042,910</u>	<u>\$ (495,358)</u>
RECAPITULATION OF FUND BALANCE				
Restricted fund balance:				
Capital reserve			\$ 382,566	
Assigned fund balance:				
Designated for subsequent year's expenditures			140,281	
Other purposes			50,900	
Unassigned fund balance			<u>469,163</u>	
Total - budgetary basis			<u>1,042,910</u>	
Reconciliation to governmental fund statements (GAAP):				
Length of service award program investment balance not recognized on the budgetary basis			<u>859,505</u>	
Total fund balance per governmental funds (GAAP)			<u>\$ 1,902,415</u>	

EXHIBIT C-1A

FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to the Required Supplementary Information
Budget-to-GAAP Reconciliation
For the year ended December 31, 2017

	<u>Total Governmental Funds</u>
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) "Revenue"	
From the Budgetary Comparison Schedule (C-1)	\$ 972,975
Difference - Budget to GAAP:	
Budgetary basis differs from GAAP in that the District does not budget for length of service award program investment income. GASB 73 requires the investment appreciation in the length of service award program to be shown in financial statements using the current financial resources measurement focus and modified accrual basis of accounting:	
Net appreciation in fair value of investments	<u>137,362</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 1,110,337</u>
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Appropriations"	
From the Budgetary Comparison Schedule (C-1)	\$ 1,429,139
Budgetary basis differs from GAAP in that the District is required to budget for contributions to the length of service award program. Expenditures under the current financial resources measurement focus and modified accrual basis of accounting are limited to the benefits paid in accordance with the Plan.	
Length of service award program district contribution	(28,373)
Administrative fees	1,220
Participant withdrawals	<u>15,389</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 1,417,375</u>

EXHIBIT I-1

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF PISCATAWAY
Long-Term Debt
Schedule of Obligations Under Capital Leases
For the year ended December 31, 2017

Description	Date of Lease	Term of Lease	Amount of Original Issue		Annual Maturity Date	Interest Rate Payable	Amount Outstanding January 1, 2017	Issued	Retired	Amount Outstanding December 31, 2017
			Principal	Interest						
Apparatus	10/19/2016	7 Years	\$ 664,752	\$ 58,663	10/19/2018	2.16%	\$ 664,752	\$ -	\$ 88,986	\$ 575,766
					10/19/2019					
					10/19/2020					
					10/19/2021					
					10/19/2022					
					10/19/2023					
Total							\$ 664,752	\$ -	\$ 88,986	\$ 575,766



HOLMAN | FRENIA
ALLISON, P.C.

Certified Public Accountants & Consultants

680 Hooper Avenue, Bldg B, Toms River, NJ 08753 • Tel: 732.797.1333

618 Stokes Road, Medford, NJ 08055 • Tel: 609.953.0612

912 Highway 33, Suite 2, Freehold, NJ 07728 • Tel: 732.409.0800

194 East Bergen Place, Red Bank, NJ 07701 • Tel: 732.747.0010

www.hfacpas.com

To the Board of Commissioners
of the Fire District No. 2 of the Township of South Brunswick
South Brunswick, New Jersey 08852

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, 2017. 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.

A handwritten signature in black ink that reads "HOLMAN FRENIA ALLISON PC". The signature is written in a cursive, flowing style.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

May 21, 2018
Toms River, New Jersey

