

**FIRE DISTRICT NO. 1  
OF THE TOWNSHIP OF SOUTH BRUNSWICK**

**Financial Statements and Supplementary Schedules**

**For the year ended December 31, 2017**

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

**FIRE DISTRICT NO. 1 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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## **INDEPENDENT AUDITOR'S REPORT**

Board of Fire Commissioners  
Fire District No. 1 of the Township of South Brunswick  
County of Middlesex  
Kendall Park, New Jersey 08824

### **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. 1 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. 1 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. 1 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 25, 2018 on our consideration of the Fire District No. 1 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. 1 of the Township of South Brunswick's internal control over financial reporting and compliance.

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

April 25, 2018  
Toms River, New Jersey

**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. 1 of the Township of South Brunswick  
County of Middlesex  
Kendall Park, New Jersey 08824:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities of each major fund and the aggregate remaining fund information of Fire District No. 1 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 Fire District No. 1 of the Township of South Brunswick's basic financial statements, and have issued our report thereon dated April 25, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Fire District No. 1 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. 1 of the Township of South Brunswick's internal control. Accordingly, we do not express an opinion on the effectiveness of Fire District No. 1 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. 1 of the Township of South Brunswick's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the 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. 1 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 Auditing Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, in considering the Fire District No. 1 of the Township of South Brunswick's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

April 25, 2018  
Toms River, New Jersey



**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

As management of Fire District No. 1 of the Township of South Brunswick, we offer readers of the Fire District No. 1 of the Township of South Brunswick financial statements this narrative overview and analysis of the financial activities of the Fire District No. 1 of the Township of South Brunswick for the year ended December 31, 2017. The intent of this narrative is to look at Fire District No. 1 of the Township of South Brunswick's overall financial performance in terms easily understood by the lay person. Please read this in conjunction with the District's financial statements which begin on page 14. Notes to the financial statements will provide the reader with additional useful information and they begin on page 22.

**FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at December 31, 2017 by approximately \$2.81 million. In 2016 the excess was \$2.77 million. This is an increase of approximately \$41,000. The increase is due to revenues coming in higher than expenditures in 2017 by approximately \$41,000.
- During 2017 Fire District No. 1 of the Township of South Brunswick operated at a surplus of approximately \$41,000. The surplus in 2016 was approximately \$15,000.
- The District increased their cash in bank by approximately \$31,000.
- The District decreased their current liabilities by approximately \$(32,000) and increased their non-current liabilities by approximately \$34,000 in 2017.
- As described in Note 12 to the financial statements, "Prior Period Adjustment/Restatement of Net Position", the District has adopted the provisions of GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement No. 68, 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 \$650,739 as indicated in Note 12 to the financial statements. Prior year balances reflected in 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. 1 of the Township of South Brunswick's basic financial statements is comprised of three components: district-wide financial statements; fund financial statements; and notes to the basic financial statements.

**Commissioners of Fire District No.1**

In the Township of South Brunswick, County of Middlesex  
P.O. Box 68, Kendall Park, NJ 08824-0068  
732-297-9900 Fax 732-297-4247 Web Site [www.sbfd1.org](http://www.sbfd1.org)



## **Reporting on the District as a Whole**

Our analysis of the District as a whole begins on page 8. District-wide financial statements are provided to give the reader a broad overview of the District's financial position and its financial activity for the year. It is presented in a format similar to the private sector to give the reader a familiar point of reference.

The Statement of Net Position presents information on all the assets and liabilities of Fire District No. 1 of the Township of South Brunswick. The difference between the two is reported as the District's Net Position. Significant increases or decreases in the District's Net Position can be an indication of the financial health of the District.

The Statement of Activities presents financial information about activities that result in the District's Net Position increasing or decreasing during the year. Financial activities are recorded when the transactions occur rather than when the cash is received or paid out. As a result, there could be activities that result in cash flow in a future period.

The district-wide financial statements report on the financial data by function. Fire District No. 1 of the Township of South Brunswick has two basic functions: activities that are supported by property taxes; and activities supported by other governmental activities. Fire District No. 1 of the Township of South Brunswick provides firefighting services to the citizens of South Brunswick Township.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, Fire District No. 1 of the Township of South Brunswick uses fund accounting to document compliance with finance-related legal matters. Fire District No. 1 of the Township of South Brunswick has one type of fund group, and that is governmental funds.

## **Governmental Funds**

Fire District No. 1 of the Township of South Brunswick's activities are all reported in governmental funds. These funds record the flow of cash in and out of the District during the period and the balances remaining at year end for future periods. The modified accrual basis of accounting is utilized for reporting purposes. This method of accounting measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services that it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's services.

Fire District No. 1 of the Township of South Brunswick maintains three separate government funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, capital projects fund and debt service fund.

The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.

As required by N.J.S.A. 40A:14:78-3, Fire District No. 1 of the Township of South Brunswick adopts an annual budget which is voted on by the legal voters of the district on the third Saturday in February.

Budgetary comparison schedules have been prepared to document compliance with budgetary requirements.

## Notes to Financial Statements

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

## DISTRICT-WIDE FINANCIAL ANALYSIS

Fire District No. 1 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 \$2.81 million. The largest portion of Fire District No. 1 of the Township of South Brunswick's Net Position (77%) 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.

### Statement of Net Position

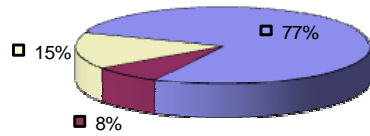
#### FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK NET POSITION DECEMBER 31,

	<u>2017</u>	<u>2016</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Current and Other Assets	\$ 650,137	\$ 617,309	32,828	5.32%
Noncurrent Assets	3,093,627	3,085,887	7,740	0.25%
Total Assets	3,743,764	3,703,196	40,568	1.10%
Total Liabilities	934,095	934,480	(385)	-0.04%
Net Position	<u>\$ 2,809,669</u>	<u>\$ 2,768,716</u>	40,953	1.48%

### Analysis of Net Position

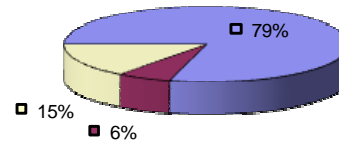
	<u>2017</u>	<u>2016</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Invested in Capital Assets	\$ 2,163,219	\$ 2,193,066	(29,847)	-1.36%
Restricted Net Position:				
Capital	214,701	171,872	42,829	24.92%
Unrestricted Net Position:				
Undesignated	431,749	403,778	27,971	6.93%
Total Net Position	<u>\$ 2,809,669</u>	<u>\$ 2,768,716</u>	40,953	1.48%

2017 Net Position



■ Invested in Capital Assets ■ Restricted Capital ■ Unrestricted

2016 Net Position



■ Invested in Capital Assets ■ Restricted Capital ■ Unrestricted

The Net Position of Fire District No. 1 of the Township of South Brunswick increased approximately \$41,000 during the 2017 period. This increase was due primarily to the District's revenues exceeding expenditures by approximately \$41,000.

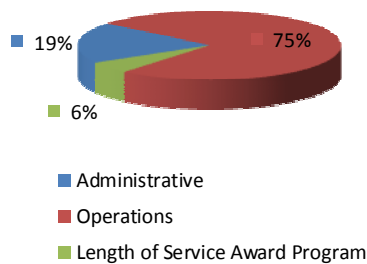
### Governmental Activities

The Statement of Activities shows the cost of the governmental activities program services and the charges for services and grants offsetting these costs. A summary of these activities follows:

#### Expenses:

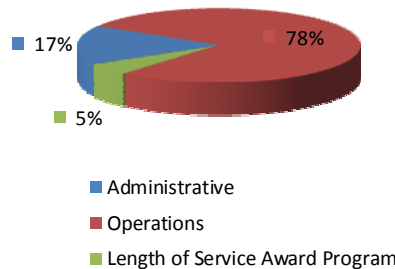
	2017	2016	\$ Increase (Decrease)	% Increase (Decrease)
Administrative Expenses	\$ 150,068	\$ 141,165	8,903	6.31%
Cost of Operations and Maintenance	592,785	651,638	(58,853)	-9.03%
Length of Service Award Contribution	43,524	43,394	130	0.30%
Total Program Expenses	<u>\$ 786,377</u>	<u>\$ 836,197</u>	(49,820)	-5.96%

2017 Program Expenses



■ Administrative  
■ Operations  
■ Length of Service Award Program

2016 Program Expenses



■ Administrative  
■ Operations  
■ Length of Service Award Program

The Net Position of Fire District No. 1 of the Township of South Brunswick increased approximately \$41,000 during the 2017 period. This increase was due primarily to the District's expenditures exceeding revenues by approximately \$41,000.

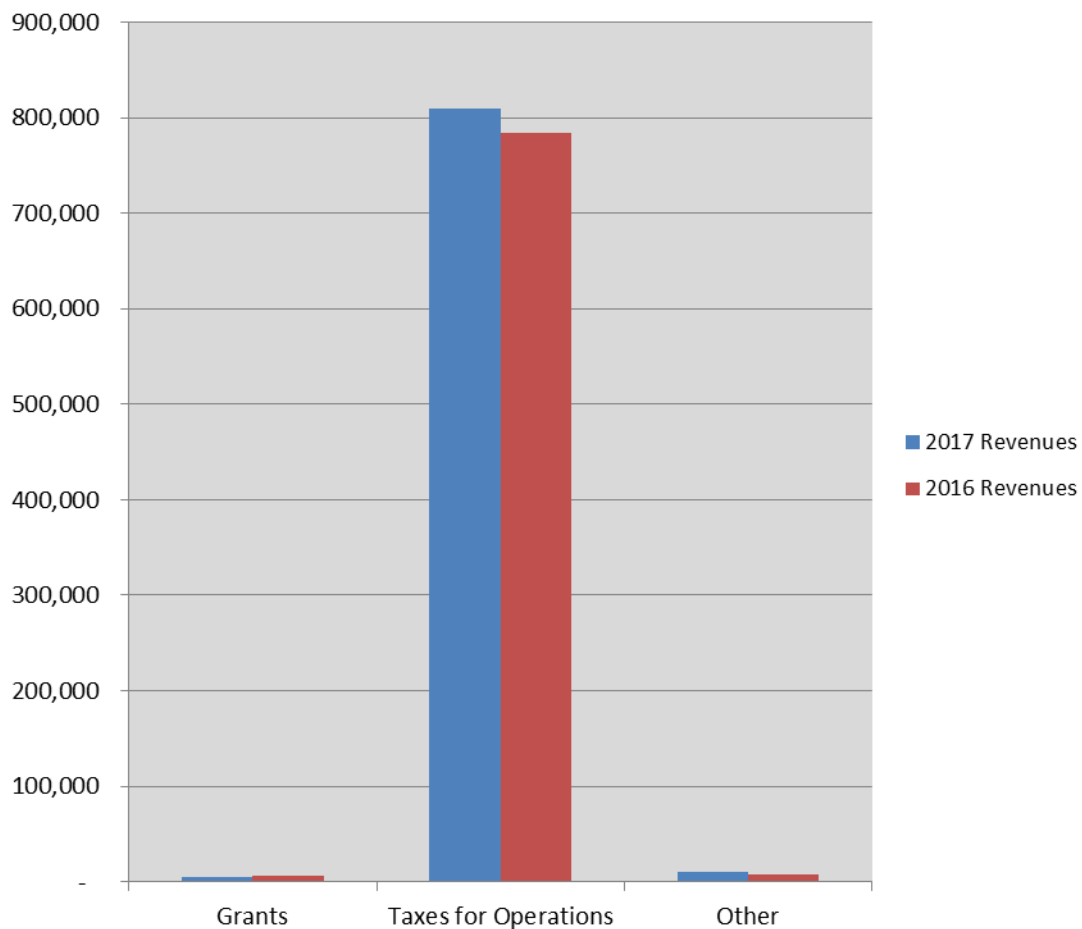
### Governmental Activities

The Statement of Activities shows the cost of the governmental activities program services and the charges for services and grants offsetting these costs. A summary of these activities follows:

	<u>2017</u>	<u>2016</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
General Revenues				
Property Taxes Levied for General Purposes	\$ 581,556	\$ 555,017	26,539	4.78%
Property Taxes Levied for Capital Projects	100,463	10,000	90,463	100.00%
Property Taxes Levied for Debt Service	127,230	228,543	(101,313)	-44.33%
Miscellaneous Revenue	11,782	7,914	3,868	48.88%
Operating Grant Revenue	<u>6,299</u>	<u>6,298</u>	1	0.02%
Total General Revenues	<u>827,330</u>	<u>807,772</u>	19,558	2.42%
Change in Net Position	40,953	14,969	25,984	173.59%
Net Position, January 1	<u>2,768,716</u>	<u>2,753,747</u>	14,969	0.54%
Net Position, December 31	<u>\$ 2,809,669</u>	<u>\$ 2,768,716</u>	40,953	1.48%

Property tax revenue constituted 98.0% of the total governmental activities revenues received by Fire District No. 1 of the Township of South Brunswick in 2017. In 2016 the property tax revenue constituted 98.2% of total revenues.

The Cost of Operations & Maintenance was 75% and 78% of the District's total expenses in 2017 and 2016, respectively. Administration expenses equaled 19% and 17% of the total expenses in 2017 and 2016, respectively. Length of Service Award Program expenses equaled 6% and 5% of the total expenses in 2017 and 2016, respectively.



## FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

Fire District No. 1 of the Township of South Brunswick uses fund accounting to document compliance with finance-related legal requirements.

### Governmental 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. 1 of the Township of South Brunswick was approximately \$1,410,000. This balance is \$110,000 higher than last year's combined governmental funds balance. The increase is due primarily to the net effect of surplus generated in the General and Capital funds.

The combined fund balance of the governmental funds of Fire District No. 1 of the Township of South Brunswick was a surplus of \$1,410,096. An amount of \$807,349 is restricted for the length of service award program, \$214,701 is restricted for capital, \$40,316 is assigned for subsequent year's expenditures, and \$347,730 is unassigned.

The general fund is the main operating fund of Fire District No. 1 of the Township of South Brunswick. At the end of 2017, the total fund balance of the general fund was \$1,195,395.

During 2017 the general fund balance of Fire District No. 1 of the Township of South Brunswick increased by approximately \$365,000.

At the end of 2017, the District had a capital projects fund balance of \$214,701. This was an increase of approximately \$43,000 from the previous year.

### **General Fund Budgetary Highlights**

The original budget had a \$47,244 projected deficit. The District had total revenues in excess of expenditures of approximately \$65,781 in 2017.

Administrative expenses were approximately \$14,900 less than projected in 2017. Operating expenses were approximately \$38,000 less than projected in 2017.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

As of December 31, 2017 Fire District No. 1 of the Township of South Brunswick had invested in capital assets for government activities \$2,163,219 (net of accumulated depreciation and associated debt). Capital assets consist of fire apparatus, fire equipment, and office equipment. They purchased approximately \$58,000 of vehicles and \$2,600 of equipment in 2017.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK  
CAPITAL ASSETS  
(NET OF ACCUMULATED DEPRECIATION)  
DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Governmental Activities:				
Apparatus and Vehicles	\$ 2,785,753	\$ 2,728,119	57,634	2.11%
Equipment	623,588	620,991	2,597	0.42%
Building and Improvements	1,583,315	1,583,315	-	0.00%
Totals at Historical Cost	<u>4,992,656</u>	<u>4,932,425</u>	60,231	1.22%
Less: Accumulated Depreciation:				
Apparatus and Vehicles	(1,437,614)	(1,275,149)	(162,465)	12.74%
Equipment	(616,062)	(609,634)	(6,428)	1.05%
Building and Improvements	(652,702)	(612,494)	(40,208)	6.56%
Total accumulated depreciation	<u>(2,706,378)</u>	<u>(2,497,277)</u>	(209,101)	8.37%
Total capital assets being depreciated net of accumulated depreciation	<u>\$ 2,286,278</u>	<u>\$ 2,435,148</u>	(148,870)	-6.11%

### **Long-Term Obligations**

The Fire District No. 1 of the Township of South Brunswick had capital leases outstanding in the amount of \$123,059 in 2017. No new debt is anticipated for 2018.

The District also has a length of service award program payable of \$807,349 as of December 31, 2017. This District has funds set aside in an investment account for the entire amount.

### **ECONOMIC FACTORS AND NEXT YEARS BUDGET**

In 2017, Fire District No. 1 of the Township of South Brunswick was able to cover all its appropriations through the fire tax levy and other revenues. The 2017 budget reflects a deficit of \$47,244 which is covered through utilization of accumulated funds.

Fire District No. 1 of the Township of South Brunswick adopted their 2018 budget on January 8, 2018. The 2018 budget reflects a 1.9% increase in the tax levy since 2017. The 2018 budget reflects a deficit of \$40,316 which is covered through utilization of accumulated funds.

### **REQUESTS FOR INFORMATION**

The District's financial report is designed to provide users of the financial statements with a general overview of the District's finances and to show the District's accountability for the money it receives. The financial statements of the District are a matter of public record and may be examined at 125 New Road, Kendall Park, New Jersey during the District's business hours.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Statement of Net Position**  
**December 31, 2017**

	<u><b>Governmental Activities</b></u>
	<u><b>Total</b></u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 602,747
Prepaid insurance	47,390
Total current assets	<u>650,137</u>
Noncurrent assets:	
Investments - length of service award program	807,349
Capital assets (net of depreciation)	<u>2,286,278</u>
Total noncurrent assets	<u>3,093,627</u>
Total assets	<u>3,743,764</u>
Liabilities:	
Current liabilities:	
Accrued interest payable	3,687
Capital lease payable	<u>123,059</u>
Total current liabilities	<u>126,746</u>
Noncurrent liabilities:	
Length of service award program payable	<u>807,349</u>
Total noncurrent liabilities	<u>807,349</u>
Total liabilities	<u>934,095</u>
Net position:	
Net investment in capital assets	2,163,219
Restricted net position:	
Capital	214,701
Unrestricted net position:	
Undesignated	<u>431,749</u>
Total net position	<u><u>\$ 2,809,669</u></u>

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



**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Statement of Activities**  
**For the year ended December 31, 2017**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities Total</u>
Government activities:			
Operation appropriations:			
Administration	\$ 150,068	\$ -	\$ 150,068
Costs of operations and maintenance	592,785	-	592,785
Length of service award contribution	43,524	-	43,524
	<hr/>	<hr/>	<hr/>
Total government activities	786,377	-	786,377
	<hr/>	<hr/>	<hr/>
General revenues:			
Miscellaneous revenue			11,782
Operating grant revenues			6,299
Amount raised by taxation			809,249
			<hr/>
Total general revenues			827,330
			<hr/>
Change in net position			40,953
			<hr/>
Net position, January 1,			2,768,716
			<hr/>
Net position, December 31			\$ 2,809,669
			<hr/> <hr/>

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2017**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
Assets:				
Current assets:				
Cash and cash equivalents	\$ 236,008	\$ 366,739	\$ -	\$ 602,747
Other receivable	152,038	-	-	152,038
Total current assets	388,046	366,739	-	754,785
Noncurrent assets:				
Investments - length of service award program	807,349	-	-	807,349
Total noncurrent assets	807,349	-	-	807,349
Total assets	<u>\$ 1,195,395</u>	<u>\$ 366,739</u>	<u>\$ -</u>	<u>\$ 1,562,134</u>
Liabilities, equity and other credits:				
Other payable	\$ -	\$ 152,038	\$ -	\$ 152,038
Total liabilities	-	152,038	-	152,038
Fund balances:				
Restricted for:				
Capital	-	214,701	-	214,701
Length of service award program	807,349	-	-	807,349
Assigned for:				
For subsequent year's expenditures	40,316	-	-	40,316
Unassigned, reported in:				
General fund	347,730	-	-	347,730
Total fund balance	1,195,395	214,701	-	1,410,096
Total liabilities and fund balance	<u>\$ 1,195,395</u>	<u>\$ 366,739</u>	<u>\$ -</u>	

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

Prepaid insurance is reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is expensed over the term of the policy as insurance expense.

47,390

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$4,992,656 and the accumulated depreciation is \$2,706,378.

2,286,278

Accrued interest not recorded in current financial statements.

(3,687)

Long-term liabilities, including bonds payable 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.

(930,408)

Net position of governmental activities

\$ 2,809,669

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

**FIRE DISTRICT NO. 1 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>Totals</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income - unrestricted cash and investments	\$ 3,089	\$ -	\$ -	\$ 3,089
Investment income - length of service award program	113,086	-	-	113,086
Other revenue	8,693	-	-	8,693
Total miscellaneous revenues	124,868	-	-	124,868
Operating grant revenues:				
Supplemental fire service act	6,299	-	-	6,299
Total operating grant revenue	6,299	-	-	6,299
Total revenues	131,167	-	-	131,167
Amount raised by taxation to support district budget	581,556	100,463	127,230	809,249
Total anticipated revenues	712,723	100,463	127,230	940,416
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	130,334	-	-	130,334
Fringe benefits	1,576	-	-	1,576
Other expenditures:				
Professional fees	11,305	-	-	11,305
Elections	216	-	-	216
Medical services	2,995	-	-	2,995
Membership dues/software/subscriptions	768	-	-	768
Office supplies	1,983	-	-	1,983
Advertising	891	-	-	891
Total administration	150,068	-	-	150,068

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

**FIRE DISTRICT NO. 1 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>Totals</u>
Cost of operations and maintenance:				
Other expenditures:				
Fire protection services	131,500	-	-	131,500
Fire marshal services	30,000	-	-	30,000
Insurance	72,062	-	-	72,062
Incentive program	14,076	-	-	14,076
Sub station	25,175	-	-	25,175
Communication costs	10,994	-	-	10,994
Fire prevention program	3,860	-	-	3,860
Travel	8,988	-	-	8,988
Training and education	6,355	-	-	6,355
Equipment maintenance and repairs	31,896	-	-	31,896
Firefighting supplies	2,472	-	-	2,472
Support services - EMS	5,000	-	-	5,000
Bank service charges	1,711	-	-	1,711
Ladder/hose testing	3,382	-	-	3,382
Public relations	980	-	-	980
Uniforms	776	-	-	776
Maintenance agreements	1,835	-	-	1,835
Other non-bondable assets	32,031	-	-	32,031
Total cost of operations and maintenance	<u>383,093</u>	<u>-</u>	<u>-</u>	<u>383,093</u>
Capital appropriations	<u>-</u>	<u>57,634</u>	<u>-</u>	<u>57,634</u>
Debt service for capital appropriations:				
Capital leases	-	-	119,023	119,023
Interest on capital leases	<u>-</u>	<u>-</u>	<u>8,207</u>	<u>8,207</u>
Total debt service for capital appropriations	<u>-</u>	<u>-</u>	<u>127,230</u>	<u>127,230</u>
Total governmental expenditures	<u>533,161</u>	<u>57,634</u>	<u>127,230</u>	<u>718,025</u>
Excess (deficiency) of revenues under (over) expenditures	<u>179,562</u>	<u>42,829</u>	<u>-</u>	<u>222,391</u>
Fund balance, January 1, unadjusted	365,094	171,872	-	536,966
Prior period adjustment (Note 12)	<u>650,739</u>	<u>-</u>	<u>-</u>	<u>650,739</u>
Fund balance, January 1, adjusted	<u>1,015,833</u>	<u>171,872</u>	<u>-</u>	<u>1,187,705</u>
Fund balance, December 31	<u>\$ 1,195,395</u>	<u>\$ 214,701</u>	<u>\$ -</u>	<u>\$ 1,410,096</u>

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

**FIRE DISTRICT NO. 1 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)	\$	222,391
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Amounts reported for governmental activities in the statement of activities (A-2) are different because:

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

Capital outlays-General Fund	2,597		
Capital outlays-Capital Fund	57,634		
Depreciation expense	<u>(209,101)</u>		(148,870)

Prepaid insurance is reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is expensed over the term of the policy as insurance expense.

Prior year	(45,938)		
Current year	<u>47,390</u>		1,452

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	(43,524)		
Appreciation in fair value of investments	<u>(113,086)</u>		(156,610)

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

119,023

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	7,254		
Current year	<u>(3,687)</u>		3,567

Change in net position of governmental activities	\$	<u><u>40,953</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

**FIRE DISTRICT NO. 1 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. 1 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>
Sarah Berezansky	2018
Richard Josephson	2019
Kris Olson	2018
William Orchard	2020
Arthur Tarnowski	2019

**C. Accounting Records**

The official accounting records of the Fire District No. 1 of the Township of South Brunswick are maintained in the office of the District.

**FIRE DISTRICT NO. 1 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: Omnibus - 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 basic financial statements report using the economic resources measurement focus and the accrual basis of accounting generally includes the reclassification or elimination of internal activity (between or within funds). Fiduciary fund financial statements also report using the same focus. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. The tax revenues are recognized in the year for which they are levied (see Note 2 N) while grants are recognized when grantor eligibility requirements are met.

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

**B. Fund Accounting**

The accounts of the district are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other

**FIRE DISTRICT NO. 1 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." As of December 31, 2017, the District only had activities in the governmental fund category.

**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,



**FIRE DISTRICT NO. 1 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)**

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

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

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

The district-wide financial statements (A-1 and A-2) include the statement of net position and the statement of activities. These statements report financial information of the District as a whole excluding the fiduciary activities. All inter-fund activity, excluding the fiduciary funds, has been eliminated in the statement of activities. Individual funds are not displayed but the statements distinguish governmental activities as generally supported through taxes and user fees.

*Fund Financial Statements*

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

**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.

**FIRE DISTRICT NO. 1 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)**

**D. Basis of Accounting (continued)**

In its accounting and financial reporting, the Fire District No. 1 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).

**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 no 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

**FIRE DISTRICT NO. 1 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)**

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 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 \$2,000.

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 and Improvements	5 to 40 Years
Equipment	5 to 15 Years
Vehicles and Apparatus	5 to 20 Years

**FIRE DISTRICT NO. 1 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)**

**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.

**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. 4 of the Township of Jackson 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 District Administrator.

**FIRE DISTRICT NO. 1 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 (continued)**

- Unassigned – includes balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds

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

**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. 1 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 12 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. This Statement amends the blending requirements established in paragraph 53 of Statement No.

**FIRE DISTRICT NO. 1 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)**

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 trust for the sole purpose of extinguishing debt. This Statement will be effective for the year

**FIRE DISTRICT NO. 1 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)**

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. Fair Value Measurement**

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

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

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

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

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

*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



**FIRE DISTRICT NO. 1 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)**

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

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 on the following page sets forth by level, within the fair value hierarchy, the LOSAP's assets at fair value as of December 31, 2017.

**T. Subsequent Events**

Fire District No. 1 of the Township of South Brunswick has evaluated subsequent events occurring after December 31, 2017 through the date of April 25, 2018, which is the date the financial statements were available to be issued.

**NOTE 3: CASH AND CASH EQUIVALENTS**

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

**Deposits:**

Demand Deposits	\$ <u>602,747</u>
Total Deposits	\$ <u>602,747</u>

**Reconciliation to Governmental Fund Statements:**

Governmental Funds	\$ <u>602,747</u>
Total	\$ <u>602,747</u>

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2017, the District's bank balance of \$661,289 was insured or collateralized as follows:

Insured	\$ 250,000
Collateralized not in the District's name (New Jersey Cash Management Fund)	366,739
Collateralized in the District's name under GUDPA	<u>44,550</u>
Total	<u>\$ 661,289</u>

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

**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;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Fire District;
- Local Government investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities.

**FIRE DISTRICT NO. 1 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)**

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

<i>Assets at Fair Value as of December 31, 2017</i>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
LOSAP:				
Mutual funds:				
Large Growth/Value/Blend	\$ 244,295	\$ -	\$ -	\$ 244,295
Mid-Cap Blend/Growth	103,743	-	-	103,743
Utilities	107,366	-	-	107,366
International Securities	73,966	-	-	73,966
Growth	86,646	-	-	86,646
Small Blend/Value	18,352	-	-	18,352
Conservative Allocation	31,808	-	-	31,808
Bonds	30,393	-	-	30,393
Aggressive Allocation	2,800	-	-	2,800
Total mutual funds	699,369	-	-	699,369
Fixed Account Investment Contract	-	-	107,980	107,980
Total assets at fair value	\$ 699,369	\$ -	\$ 107,980	\$ 807,349

**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:

<i>Level 3 Assets</i>	
<i>Year Ended December 31, 2017</i>	
	<u>Fixed Account</u>
Balance, beginning of year	\$ 94,454
Purchases, sales, issuances, and settlements (net)	11,125
Gain and (losses)	2,401
Balance, end of year	<u>\$ 107,980</u>

**FIRE DISTRICT NO. 1 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:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Apparatus and Vehicles	\$ 2,728,119	57,634	\$ -	\$ 2,785,753
Equipment	620,991	2,597	-	623,588
Building and Improvements	1,583,315	-	-	1,583,315
Totals at Historical Cost	<u>4,932,425</u>	<u>60,231</u>	<u>-</u>	<u>4,992,656</u>
Less: Accumulated Depreciation:				
Apparatus and Vehicles	(1,275,149)	(162,465)	-	(1,437,614)
Equipment	(609,634)	(6,428)	-	(616,062)
Building and Improvements	(612,494)	(40,208)	-	(652,702)
Total accumulated depreciation	<u>(2,497,277)</u>	<u>(209,101)</u>	<u>-</u>	<u>(2,706,378)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>\$ 2,435,148</u>	<u>\$ (148,870)</u>	<u>\$ -</u>	<u>\$ 2,286,278</u>

**NOTE 6: LONG-TERM OBLIGATIONS**

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

	<u>Balance 12/31/16</u>	<u>Accrued/ increases</u>	<u>Retired/ decreases</u>	<u>Balance 12/31/17</u>	<u>Due within one year</u>
Capital leases	\$ 242,082	\$ -	\$ 119,023	\$ 123,059	\$ 123,059
Length of service award program payable	650,739	157,435	825	807,349	-
Total	<u>\$ 892,821</u>	<u>\$ 157,435</u>	<u>\$ 119,848</u>	<u>\$ 930,408</u>	<u>\$ 123,059</u>

**Capital Leases Payable**

The Fire District is leasing fire trucks totaling \$781,155 under capital leases. All capital leases are for term of seven years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at December 31, 2017.

<u>Year Ending December 31, 2018</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	\$ 123,059	\$ 4,171	\$ 127,230

**FIRE DISTRICT NO. 1 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**

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 November 9, 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 \$1,674 for the year ended December 31, 2017, per eligible volunteer, into the Plan, depending on how many years the volunteer has served. During the year ended December 31, 2017, the District contributed a total of \$43,524 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.

**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.

**FIRE DISTRICT NO. 1 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)**

entitled to vested accumulated deferrals may request the local plan administrator to payout a portion of vested accumulated deferrals.

**Forfeited Accounts** – There were no 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 of 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. 1 was approximately \$.082 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 \$6,299.

**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: INTERFUND RECEIVABLE/PAYABLE**

The purpose of the interfunds is for short-term borrowing. As of December 31, 2017, the following interfund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 152,038	\$ -
Capital projects	-	152,038
Total	<u>\$ 152,038</u>	<u>\$ 152,038</u>

The purpose of interfunds are short-term borrowings.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

**NOTE 10: INTERFUND RECEIVABLE/PAYABLE (continued)**

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year. As previously mentioned, these amounts are eliminated in the governmental and business-type columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are presented as Internal Balances in the Statement of Net Position.

<b>Fund</b>	<b><u>Transfers In</u></b>	<b><u>Transfers Out</u></b>
General Fund	\$ 42,829	\$ 3,090
Capital Projects Fund	<u>3,090</u>	<u>42,829</u>
Total	<u>\$ 45,919</u>	<u>\$ 45,919</u>

**NOTE 11: FUND BALANCE**

**General Fund** – Of the \$1,195,395 General Fund fund balance at December 31, 2017, \$807,349 has been restricted for the length of service award program; \$40,316 has been assigned to be designated for subsequent year's expenditures; and \$347,730 is unassigned.

**Capital Projects Fund** – Of the \$214,701 Capital Projects Fund fund balance at December 31, 2017, \$214,701 is restricted for Capital.

**NOTE 12: PRIOR PERIOD ADJUSTMENT/RESTATEMENT OF NET POSITION**

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:

	<b><u>Governmental Activities</u></b>	<b><u>Governmental Fund: General Fund</u></b>	<b><u>Fiduciary Fund: Length of Service Award Program</u></b>
Net position as previously reported at December 31, 2016	\$ 2,768,716	\$ 365,094	\$ 650,739
Prior period adjustment - Implementation of GASB 73:			
Reclassification of length of service award program investment balance from Fiduciary Fund to Governmental Fund	650,739	650,739	(650,739)
Addition of length of service award program payable to Governmental Activities	<u>(650,739)</u>	<u>-</u>	<u>-</u>
Total prior period adjustment	<u>-</u>	<u>650,739</u>	<u>(650,739)</u>
Net position as restated, January 1, 2017	<u>\$ 2,768,716</u>	<u>\$ 1,015,833</u>	<u>\$ -</u>

**FIRE DISTRICT NO. 1 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	\$ -	\$ -	\$ 3,089	\$ 3,089
Other revenue	-	-	8,693	8,693
Total miscellaneous revenues	-	-	11,782	11,782
Operating grant revenues:				
Supplemental fire service act	6,300	6,300	6,299	(1)
Total operating grant revenue	6,300	6,300	6,299	(1)
Total revenues	6,300	6,300	18,081	11,781
Amount raised by taxation to support district budget	809,249	809,249	809,249	-
Total anticipated revenues	815,549	815,549	827,330	11,781
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	131,000	134,000	130,334	3,666
Fringe benefits	2,200	2,200	1,576	624
Other expenditures:				
Professional fees	12,300	14,300	11,305	2,995
Elections	1,000	1,000	216	784
Furnishings	1,000	1,000	-	1,000
Medical services	11,000	8,000	2,995	5,005
Membership dues/software/subscriptions	1,000	1,000	768	232
Office supplies	2,000	2,000	1,983	17
Regulation compliance	500	500	-	500
Advertising	1,000	1,000	891	109
Total administration	163,000	165,000	150,068	14,932



**FIRE DISTRICT NO. 1 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:				
Other expenditures:				
Fire protection services	131,500	131,500	131,500	-
Fire marshal services	30,000	30,000	30,000	-
Insurance	70,500	73,000	72,062	938
Incentive program	19,200	16,700	14,076	2,624
Sub station	29,000	29,000	25,175	3,825
Communication costs	11,000	11,000	10,994	6
Fire prevention program	5,000	5,000	3,860	1,140
Travel	10,000	10,000	8,988	1,012
Training and education	7,500	7,500	6,355	1,145
Firefighter fitness	4,000	2,000	-	2,000
Equipment maintenance and repairs	42,500	42,300	31,896	10,404
Firefighting supplies	3,000	3,000	2,472	528
Support services - EMS	5,000	5,000	5,000	-
Bank service charges	1,250	2,250	1,711	539
Ladder/hose testing	5,500	4,500	3,382	1,118
Public relations	2,000	2,000	980	1,020
Uniforms	650	850	776	74
Maintenance agreements	3,000	3,000	1,835	1,165
Other non-bondable assets	42,500	42,500	32,031	10,469
Total cost of operations and maintenance	<u>423,100</u>	<u>421,100</u>	<u>383,093</u>	<u>38,007</u>
Length of service award program	49,000	49,000	43,524	5,476
Capital outlay	100,463	100,463	57,634	42,829
Debt service for capital appropriations:				
Capital leases	119,023	119,023	119,023	-
Interest on capital leases	<u>8,207</u>	<u>8,207</u>	<u>8,207</u>	<u>-</u>
Total debt service for capital appropriations	<u>127,230</u>	<u>127,230</u>	<u>127,230</u>	<u>-</u>
Total appropriations	<u>862,793</u>	<u>862,793</u>	<u>761,549</u>	<u>101,244</u>
Excess (deficiency) of revenues under (over) expenditures	(47,244)	(47,244)	65,781	113,025
Fund balance, January 1	<u>536,966</u>	<u>536,966</u>	<u>536,966</u>	<u>-</u>
Fund balance, December 31	<u>\$ 489,722</u>	<u>\$ 489,722</u>	<u>\$ 602,747</u>	<u>\$ 113,025</u>

**RECAPITULATION OF FUND BALANCE**

Restricted fund balance:	
Capital reserve	\$ 214,701
Assigned fund balance:	
Designated for subsequent year's expenditures	40,316
Unassigned fund balance	<u>347,730</u>
Total - budgetary basis	602,747
Reconciliation to governmental fund statements (GAAP):	
Length of service award program investment balance not recognized on the budgetary basis	<u>807,349</u>
Total fund balance per governmental funds (GAAP)	<u>\$ 1,410,096</u>

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to the Required Supplementary Information**  
**Budget-to-GAAP Reconciliation**  
**For the year ended December 31, 2017**

	<b>Total Governmental <u>Funds</u></b>
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) "Revenue"	
From the Budgetary Comparison Schedule (C-1)	\$ 827,330
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>113,086</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 940,416</u>
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Appropriations"	
From the Budgetary Comparison Schedule (C-1)	\$ 761,549
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	<u>(43,524)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 718,025</u>

**EXHIBIT I-1**

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Long-Term Debt**  
**Schedule of Obligations Under Capital Leases**  
**For the year ended December 31, 2017**

<u>Description</u>	<u>Date of Lease</u>	<u>Term of Lease</u>	<u>Amount of Original Issue</u>		<u>Interest Rate</u>	<u>Amount Outstanding January 1, 2017</u>		<u>Issued</u>	<u>Retired</u>	<u>Adjustments</u>	<u>Amount Outstanding December 31, 2017</u>	
			<u>Principal</u>	<u>Interest</u>		<u>January 1, 2017</u>	<u>January 1, 2017</u>				<u>December 31, 2017</u>	<u>December 31, 2017</u>
Rescue Truck	2/11/11	7 years	\$ 781,155	\$ 109,453	3.39%	\$ 242,082	\$ -	\$ -	\$ 119,023	\$ -	\$ -	\$ 123,059
Total						\$ 242,082	\$ -	\$ -	\$ 119,023	\$ -	\$ -	\$ 123,059

Board of Fire Commissioners  
Fire District No. 1 of the Township of South Brunswick  
Kendall Park, New Jersey

We have audited the basic financial statements of the Fire District No. 1 of the Township of South Brunswick, County of Middlesex, State of New Jersey for the year ended December 31, 2017. In accordance with requirements prescribed by the Local Finance Board and 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.

**Follow-up on Prior Years' Findings:**

In accordance with government auditing standards, our procedures included a review of all prior year recommendations including findings.

**Examination of Cash Receipts**

A test check of cash receipts was made.

**Acknowledgment**

We received the complete cooperation of all the staff of the District 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, please contact us.

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

April 25, 2018  
Toms River, New Jersey