

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

Financial Statements

For the year ended December 31, 2013

(With Independent Auditors' Report thereon)

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
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(With Independent Auditors' Report thereon)

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INDEPENDENT AUDITORS' REPORT

Board of Fire Commissioners
Fire District No. 1 of the Township of South Brunswick:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 1 of the Township of South Brunswick, County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 1 of the Township of South Brunswick, County of Middlesex, State of New Jersey, as of December 31, 2013, 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 budgetary comparison information on pages 6-7 and 28-29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fire District No. 1 of the Township of South Brunswick's basic financial statements. The long-term debt schedule of serial bonds payable and the long-term debt schedule of obligations under capital leases on pages 30 and 31 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The long-term debt schedule of serial bonds payable and the long-term debt schedule of obligations on pages 30-31 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the long-term debt schedule of serial bonds payable and the long-term debt schedule of obligations is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matters

The comparative totals for December 31, 2012 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 04, 2014 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 04, 2014
Toms River, New Jersey

**INDEPENDENT AUDITORS' 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:

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, 2013, 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 04, 2014.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

April 04, 2014
Toms River, New Jersey



April 04, 2014

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

The Management's Discussion and Analysis (MD&A) is an element of required supplementary information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" issued in June 1999.

Financial Statements

The financial statements included in this report are the District Wide Financial Statements of Net Position and the Statement of Activities for the year ended December 31, 2013.

The District Wide Financial Statement of Net Position shows the financial position of the Fire District No. 1 of the Township of South Brunswick (the District) at December 31. Assets are compared with Liabilities and Net Position is the result.

Statement of Activities measure performance for the year and how this performance impacts Net Position.

Financial Analysis

The District, at December 31, 2013, has total net position of \$2,758,177 compared to \$3,070,821 at December 31, 2012. The decrease of \$312,644 can be primarily attributed to lease purchase payments and increased administrative expenses.

The District liabilities of \$894,208 at December 31, 2013 decreased from \$1,081,761 compared to the prior year. This decrease is accounted for primarily because of the payments made in 2013 on the noncurrent liabilities of bond payables and capital lease payables.

In summary, net position decreased by \$312,644 for the year ended December 31, 2013.

Condensed Financial Information

Key District financial information for the years 2013 and 2012 include the following balances:

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

	Assets	
	2013	2012
Unrestricted current assets	\$ 841,856	\$ 899,890
Property, plant and equipment, net of depreciation	<u>2,810,529</u>	<u>3,252,692</u>
Total assets	<u>\$ 3,652,385</u>	<u>\$ 4,152,582</u>

Liabilities and Net Position

Liabilities	\$ 894,208	\$ 1,081,761
Net position – investment in capital assets	1,959,286	2,212,285
Net position – restricted	385,259	465,259
Net position – unrestricted	<u>413,632</u>	<u>393,277</u>
Liabilities and net position	<u>\$ 3,652,385</u>	<u>\$ 4,152,582</u>

Other Financial Information:

Total operating/non-operating revenues	\$ 726,569	\$ 712,304
Total operating/non-operating expenses	<u>939,170</u>	<u>826,411</u>
Excess revenues over expenses	<u>\$ (212,601)</u>	<u>\$ (114,107)</u>
Capital spending	2,958	20,085

The District's total 2013 operating expenses were under budget for the year.

Note from the District's Management

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 08824 during the District's business hours.

Respectfully Submitted,



Lawrence Rosenberg
Treasurer

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Statement of Net Position
December 31, 2013
(With comparative totals for December 31, 2012)

	Governmental Activities	
	(Memorandum Only)	
	<u>2013</u>	<u>2012</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 798,629	\$ 840,464
Accounts receivable	-	11,011
Prepaid insurance	43,227	48,415
Total current assets	841,856	899,890
Fixed assets (net of depreciation)	2,810,529	3,252,692
Total assets	3,652,385	4,152,582
Liabilities:		
Current liabilities:		
Accounts payable	25,698	20,966
Accrued interest payable	17,267	20,388
Bonds payable	90,000	85,000
Capital lease payable	107,695	104,164
Total current liabilities	240,660	230,518
Noncurrent liabilities:		
Bonds payable	185,000	275,000
Capital lease payable	468,548	576,243
Total noncurrent liabilities	653,548	851,243
Total liabilities	894,208	1,081,761
Net position:		
Investments in capital assets, net of related debt	1,959,286	2,212,285
Restricted net position:		
Capital	279,123	355,259
Other purposes	106,136	-
Designated for subsequent year's expenditures - Capital	-	110,000
Unrestricted net position:		
Undesignated	320,199	183,727
Designated for subsequent year's expenditures	93,433	209,550
Total net position	\$ 2,758,177	\$ 3,070,821

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, 2013
(With comparative totals for year ended December 31, 2012)

	Expenses	Charges for Services	Governmental Activities	
			2013	(Memorandum Only) 2012
Government activities:				
Operation appropriations:				
Administration	\$ 136,256	\$ -	\$ 136,256	\$ 122,514
Costs of operations and maintenance	719,433	-	719,433	614,171
Operating appropriations offset with revenues	44,529	-	44,529	51,614
Length of service award contribution	38,952	-	38,952	38,112
Total government activities	939,170	-	939,170	826,411
General revenues:				
Miscellaneous revenue			1,171	1,006
Operating grant revenues			6,298	6,298
Amount raised by taxation			719,100	705,000
Total general revenues			726,569	712,304
Change in net position			(212,601)	(114,107)
Net position, January 1, unadjusted			3,070,821	3,184,928
Prior period adjustment			(100,043)	-
Net position, January 1, restated			2,970,778	3,184,928
Net position, December 31			<u>\$ 2,758,177</u>	<u>\$ 3,070,821</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
Governmental Funds
Balance Sheet
December 31, 2013
(With comparative totals for December 31, 2012)

				Totals	
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>December 31, 2013</u>	<u>(Memorandum Only) December 31, 2012</u>
Assets:					
Current assets:					
Cash and cash equivalents	\$ 167,194	\$ 631,435	\$ -	\$ 798,629	\$ 840,464
Accounts receivable	-	-	-	-	11,011
Other receivable	246,176	-	-	246,176	375,822
Total assets	<u>\$ 413,370</u>	<u>\$ 631,435</u>	<u>\$ -</u>	<u>\$ 1,044,805</u>	<u>\$ 1,227,297</u>
Liabilities, equity and other credits:					
Accounts payable	\$ 25,698	\$ -	\$ -	\$ 25,698	\$ 20,966
Other payable	-	246,176	-	246,176	375,822
Total liabilities	<u>25,698</u>	<u>246,176</u>	<u>-</u>	<u>271,874</u>	<u>396,788</u>
Fund balances:					
Restricted for:					
Capital	-	279,123	-	279,123	245,259
For subsequent year's expenditures - Capital	-	-	-	-	110,000
Assigned for:					
For subsequent year's expenditures	93,433	-	-	93,433	209,550
Other purposes	-	106,136	-	106,136	-
Unassigned, reported in:					
General fund	294,239	-	-	294,239	265,700
Total fund balance	<u>387,672</u>	<u>385,259</u>	<u>-</u>	<u>772,931</u>	<u>830,509</u>
Total liabilities and fund balance	<u>\$ 413,370</u>	<u>\$ 631,435</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.				43,227	48,415
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$4,741,834, and the accumulated depreciation is \$1,931,305.				2,810,529	3,252,692
Accrued interest not recorded in current financial statements.				(17,267)	(20,388)
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported as liabilities in the funds.				(851,243)	(1,040,407)
Net position of governmental activities				<u>\$ 2,758,177</u>	<u>\$ 3,070,821</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
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2013
(With comparative totals for year ended December 31, 2012)

				Totals	
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>December 31, 2013</u>	<u>(Memorandum Only) December 31, 2012</u>
Revenues:					
Miscellaneous anticipated revenue:					
Investment income	\$ 356	\$ -	\$ -	\$ 356	\$ 356
Other revenue	815	-	-	815	650
Total miscellaneous revenues	<u>1,171</u>	<u>-</u>	<u>-</u>	<u>1,171</u>	<u>1,006</u>
Operating grant revenues:					
Supplemental fire service act	<u>6,298</u>	<u>-</u>	<u>-</u>	<u>6,298</u>	<u>6,298</u>
Total operating grant revenue	<u>6,298</u>	<u>-</u>	<u>-</u>	<u>6,298</u>	<u>6,298</u>
Total revenues	<u>7,469</u>	<u>-</u>	<u>-</u>	<u>7,469</u>	<u>7,304</u>
Amount raised by taxation to support district budget	<u>455,407</u>	<u>30,000</u>	<u>233,693</u>	<u>719,100</u>	<u>705,000</u>
Total anticipated revenues	<u>462,876</u>	<u>30,000</u>	<u>233,693</u>	<u>726,569</u>	<u>712,304</u>
Expenditures:					
Operating appropriations:					
Administration:					
Salaries and wages	105,668	-	-	105,668	98,266
Fringe benefits	2,691	-	-	2,691	1,945
Other expenditures:					
Professional fees	11,321	-	-	11,321	10,326
Elections	478	-	-	478	501
Medical services	10,270	-	-	10,270	5,944
Membership dues/software/subscriptions	80	-	-	80	645
Office supplies	5,245	-	-	5,245	4,588
Regulation compliance	-	-	-	-	-
Advertising	503	-	-	503	299
Total administration	<u>136,256</u>	<u>-</u>	<u>-</u>	<u>136,256</u>	<u>122,514</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
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2013
(With comparative totals for year ended December 31, 2012)

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	Totals (Memorandum Only)	
				<u>December 31, 2013</u>	<u>December 31, 2012</u>
Cost of operations and maintenance:					
Other expenditures:					
Fire protection services	131,500	-	-	131,500	121,500
Fire marshal services	40,000	-	-	40,000	40,000
Insurance	63,439	-	-	63,439	84,933
Incentive program	10,940	-	-	10,940	13,357
Sub station	28,414	-	-	28,414	31,147
Communication costs	11,941	-	-	11,941	8,960
Fire prevention program	4,465	-	-	4,465	5,462
Travel	8,388	-	-	8,388	5,660
Training and education	2,580	-	-	2,580	6,011
Firefighter fitness	2,745	-	-	2,745	3,600
Equipment maintenance and repairs	28,308	-	-	28,308	36,094
Firefighting supplies	2,028	-	-	2,028	3,657
Support services - EMS	5,000	-	-	5,000	5,000
Ladder/hose testing	3,230	-	-	3,230	3,821
Public relations	1,377	-	-	1,377	1,360
Uniforms	504	-	-	504	1,254
Maintenance agreements	1,749	-	-	1,749	-
Other non-bondable assets	28,638	-	-	28,638	32,884
Total cost of operations and maintenance	<u>375,246</u>	<u>-</u>	<u>-</u>	<u>375,246</u>	<u>404,700</u>
Length of service award program	<u>38,952</u>	<u>-</u>	<u>-</u>	<u>38,952</u>	<u>38,112</u>
Debt service for capital appropriations:					
Bond principal	-	-	85,000	85,000	80,000
Interest on bonds	-	-	21,463	21,463	25,133
Capital leases	-	-	104,164	104,164	100,748
Interest on capital leases	<u>-</u>	<u>-</u>	<u>23,066</u>	<u>23,066</u>	<u>26,481</u>
Total debt service for capital appropriations	<u>-</u>	<u>-</u>	<u>233,693</u>	<u>233,693</u>	<u>232,362</u>
Total governmental expenditures	<u>550,454</u>	<u>-</u>	<u>233,693</u>	<u>784,147</u>	<u>797,688</u>
Excess (deficiency) of revenues under (over) expenditures	<u>(87,578)</u>	<u>30,000</u>	<u>-</u>	<u>(57,578)</u>	<u>(85,384)</u>
Fund balance, January 1	<u>475,250</u>	<u>355,259</u>	<u>-</u>	<u>830,509</u>	<u>915,893</u>
Fund balance, December 31	<u>\$ 387,672</u>	<u>\$ 385,259</u>	<u>\$ -</u>	<u>\$ 772,931</u>	<u>\$ 830,509</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, 2013

Total net changes in Fund Balance-Governmental Funds (B-2)	\$	(57,578)
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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	2,958	
Loss on disposal of assets	(127,292)	
Depreciation Expense	<u>(217,786)</u>	
		(342,120)

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	(48,415)	
Current year	<u>43,227</u>	
		(5,188)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.	85,000
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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.	104,164
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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	20,388	
Current year	<u>(17,267)</u>	
		<u>3,121</u>

Change in net position of governmental activities	\$	<u>(212,601)</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
Fiduciary Funds
Statement of Net Position
December 31, 2013
(With comparative totals for December 31, 2012)

	Length of Service Award <u>Program</u>	<u>Totals</u>	
		December 31, <u>2013</u>	(Memorandum Only) December 31, <u>2012</u>
Assets:			
Investments	\$ 505,552	\$ 505,552	\$ 375,654
Total assets	<u>505,552</u>	<u>505,552</u>	<u>375,654</u>
Net position:			
Reserved:			
For Length of Service Award Program	<u>505,552</u>	<u>505,552</u>	<u>375,654</u>
Total net position	<u>\$ 505,552</u>	<u>\$ 505,552</u>	<u>\$ 375,654</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
Fiduciary Funds
Statement of Changes in Net Position
For the year ended December 31, 2013
(With comparative totals for year ended December 31, 2012)

	Length of Service Award Program	Totals	
		December 31, <u>2013</u>	(Memorandum Only) December 31, <u>2012</u>
Revenues and other financing sources:			
District contributions	\$ 38,952	\$ 38,952	\$ 38,112
Total contributions	38,952	38,952	38,112
Investment income:			
Net appreciation in fair value of investments	91,771	91,771	38,831
Total investment income	91,771	91,771	38,831
Total revenues and other financing sources	130,723	130,723	76,943
Expenditures:			
Benefits paid directly to participants	-	-	21,720
Administrative expenses	825	825	750
Total expenditures	825	825	22,470
Excess of revenues and other financing sources over expenditures	129,898	129,898	54,473
Net position, January 1	375,654	375,654	321,181
Net position, December 31	\$ 505,552	\$ 505,552	\$ 375,654

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, 2013

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.

Fire District No. 1 of the Township of South Brunswick is not a component unit of any other financial reporting entity nor does the Fire District have any component units to be presented in accordance with Governmental Accounting Standards Board Statement No. 14.

B. District Officials

The District is governed by a board of five commissioners. The following were in office at December 31, 2013:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
Richard Josephson	2016
Kris Olson	2015
William Orchard	2014
Lawrence Rosenberg	2015
Arthur Tarnowski	2016

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.

D. Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (continued)

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 M) while grants are recognized when grantor eligibility requirements are met.

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

B. Fund Accounting

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

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.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

Debt Service Fund

The Debt Service Fund is used to account for resources that will be used to service general long-term debt.

Fiduciary Funds:

Trust and Agency Fund

The Trust and Agency Fund is used to account for assets held by the Fire District on behalf of outside parties, including other governments, or on behalf of other funds within the Fire District.

C. District Wide and Fund Financial Statements

District Wide Financial Statements

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments as of January 1, 2004. The District adopted the provisions of Governmental Accounting Standards Board Statement No. 63, Statement of Net Position as of January 1, 2012. The District’s basic financial statements reflect the implementation.

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. GASB Statement No. 65 reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

The district-wide financial statements (A-1 and A-2) include the statement of net assets 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.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. 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 approve 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. The budget may not be amended subsequent to its final adoption and approval.

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.

E. 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. The encumbrance at December 31, 2013 totaled \$106,136.

F. Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds and cash in banks. All certificates of deposit are recorded as cash regardless of the date of maturity. Fire districts are required by N.J.S.A. 40A: 5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey organized under the laws of the United States or of the State of New Jersey or with the New Jersey Cash Management Fund. N.J.S.A. 40A: 5-15.1 provides a list of investments that may be purchased by fire districts.

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash and Cash Equivalents (continued)

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

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

G. Prepaid Expenses

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

H. 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.

I. 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 \$1,000.

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

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

J. Inventory, Materials and Supplies

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. 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.

L. 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.

M. 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.

N. Fund Equity

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

O. 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.

P. Comparative Totals

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position. This information has not been subjected to the audit procedures applied in the audit of the basic financial statements and has been marked as memorandum only.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Subsequent Events

Fire District No. 1 of the Township of South Brunswick has evaluated subsequent events occurring after December 31, 2013 through the date of April 04, 2014, 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, 2013, and reported at fair value are as follows:

Deposits:

Demand Deposits	\$ <u>798,629</u>
Total Deposits	\$ <u>798,629</u>

Reconciliation to Governmental Fund Statements:

Governmental Funds	\$ <u>798,629</u>
Total	\$ <u>798,629</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, 2013, the District's bank balance of \$926,007 was insured or collateralized as follows:

Insured	\$ 252,068
Collateralized not in the District's name (New Jersey Cash Management Fund)	631,435
Collateralized in the District's name under GUDPA	<u>42,504</u>
Total	<u>\$ 926,007</u>

NOTE 4: INVESTMENTS

A. Custodial Credit Risk

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2013

NOTE 4: INVESTMENTS (continued)

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, 2013, 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.

As of December 31, 2013, the Fire District had the following investments and maturities:

<u>Investment</u>	<u>Fair Value</u>
LOSAP	<u>\$505,552</u>

NOTE 5: FIXED 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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2013

NOTE 5: FIXED ASSETS (continued)

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.

Fixed assets consisted of the following at December 31, 2013:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Governmental Activities:				
Apparatus	\$ 3,274,336	\$ 100,000	\$ (869,605)	\$ 2,504,731
Equipment	655,828	2,958	-	658,786
Substation	<u>1,578,317</u>	<u>-</u>	<u>-</u>	<u>1,578,317</u>
Totals at historical cost	<u>5,508,481</u>	<u>102,958</u>	<u>(869,605)</u>	<u>4,741,834</u>
Less: accumulated depreciation				
Apparatus	(1,115,815)	(233,880)	642,270	(707,425)
Equipment	(685,313)	(44,448)	-	(729,761)
Substation	<u>(454,661)</u>	<u>(39,458)</u>	<u>-</u>	<u>(494,119)</u>
Total accumulated depreciation	<u>(2,255,789)</u>	<u>(317,786)</u>	<u>642,270</u>	<u>(1,931,305)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>\$ 3,252,692</u>	<u>\$ (214,828)</u>	<u>\$ (227,335)</u>	<u>\$ 2,810,529</u>

NOTE 6: LONG-TERM OBLIGATIONS

During the year ended December 31, 2013, the following changes occurred in long-term obligations:

	Principal Outstanding <u>January 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	Principal Outstanding <u>December 31, 2013</u>	Due Within <u>One Year</u>
General Serial Bonds	\$ 360,000	\$ -	\$ 85,000	\$ 275,000	\$ 90,000
Obligations under Capital Lease	<u>680,406</u>	<u>-</u>	<u>104,163</u>	<u>576,243</u>	<u>107,695</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 1,040,406</u>	<u>\$ -</u>	<u>\$ 189,163</u>	<u>\$ 851,243</u>	<u>\$ 197,695</u>

A. Bonds Payable

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2013

NOTE 6: LONG-TERM OBLIGATIONS (continued)

A. Bonds Payable (continued)

On January 1, 1997, the Fire District issued \$1,250,000 general obligation bonds at interest rates varying from 4% to 6.25% for various construction and renovation projects. The final maturity of these bonds is January 1, 2017.

Principal and interest due on bonds outstanding is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 90,000	\$ 15,767	\$ 105,767
2015	90,000	10,637	100,637
2016	<u>95,000</u>	<u>5,463</u>	<u>100,463</u>
	<u>\$ 275,000</u>	<u>\$ 31,867</u>	<u>\$ 306,867</u>

B. 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, 2013.

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 107,695	\$ 19,535	\$ 127,230
2015	111,346	15,884	127,230
2016	115,121	12,109	127,230
2017	119,023	8,207	127,230
2018	<u>123,058</u>	<u>4,172</u>	<u>127,230</u>
	<u>\$ 576,243</u>	<u>\$ 59,907</u>	<u>\$ 636,150</u>

NOTE 7: LENGTH OF SERVICE AWARDS PROGRAM

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

The Board of Commissioners had a Length of Service Award reserve of approximately \$505,552 as of December 31, 2013.

This is not a pension plan as described under the Employee Retirement Security Act and, therefore, is not guaranteed to the volunteers until they reach the age 65.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2013

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, 2013, the fire tax rate on the Fire District No. 1 was approximately \$.076 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 \$6,298.

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

As of December 31, 2013, the following interfund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 246,176	\$ -
Capital projects	-	246,176
Total	<u>\$ 246,176</u>	<u>\$ 246,176</u>

The purpose of interfunds are short-term borrowings.

NOTE 11: GASB NO. 54 FUND BALANCE DISCLOSURE

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District 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.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2013

NOTE 11: GASB NO. 54 FUND BALANCE DISCLOSURE (continued)

- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Business Administrator.
- Unassigned – includes balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

General Fund – Of the \$387,672 General Fund fund balance at December 31, 2013, \$93,433 has been assigned to be designated for subsequent year's expenditures; and \$294,239 is unassigned.

Capital Projects Fund – Of the \$385,259 Capital Projects Fund fund balance at December 31, 2013, \$279,123 is restricted for Capital and \$106,136 is assigned for other purposes.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available, unless prohibited by law or regulation.

NOTE 12: PRIOR PERIOD ADJUSTMENT

In 2013, it was determined that the District's budgetary records as of December 31, 2012 were not recorded in accordance with N.J.S.A. 40A: 14-84. The following adjustment was needed:

The general fund had overstated the fixed asset balance by a net amount of \$100,043. This was due to not recording the disposal of assets from a prior year, resulting in a loss on disposal. The District corrected this with an adjustment to the prior year net position.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Budgetary Comparison Schedule
All Governmental Funds
For the year ended December 31, 2013

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 2,000	\$ 2,000	\$ 356	\$ (1,644)
Other revenue	-	-	815	815
Total miscellaneous revenues	2,000	2,000	1,171	(829)
Operating grant revenues:				
Supplemental fire service act		-	6,298	6,298
Total operating grant revenue	-	-	6,298	6,298
Total revenues	2,000	2,000	7,469	5,469
Amount raised by taxation to support district budget	719,100	719,100	719,100	-
Total anticipated revenues	721,100	721,100	726,569	5,469
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	109,000	109,000	105,668	3,332
Fringe benefits	-	-	2,691	(2,691)
Other expenditures:				
Professional fees	19,000	19,000	11,321	7,679
Elections	750	750	478	272
Furnishings	1,000	1,000	-	1,000
Medical services	10,000	14,500	10,270	4,230
Membership dues/software/subscriptions	750	750	80	670
Office supplies	5,000	5,000	5,245	(245)
Regulation compliance	500	500	-	500
Advertising	1,000	1,000	503	497
Total administration	147,000	151,500	136,256	15,244

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Budgetary Comparison Schedule
All Governmental Funds
For the year ended December 31, 2013

	<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	40,000	40,000	40,000	-
Insurance	95,000	95,000	63,439	31,561
Incentive program	18,000	18,000	10,940	7,060
Sub station	40,000	40,000	28,414	11,586
Communication costs	12,000	12,000	11,941	59
Fire prevention program	6,000	6,000	4,465	1,535
Travel	10,000	10,000	8,388	1,612
Training and education	7,000	7,000	2,580	4,420
Firefighter fitness	4,000	4,000	2,745	1,255
Firefighting support	500	500	-	500
Equipment maintenance and repairs	40,000	40,000	28,308	11,692
Firefighting supplies	3,500	3,500	2,028	1,472
Support services - EMS	5,000	5,000	5,000	-
Ladder/hose testing	6,000	6,000	3,230	2,770
Public relations	14,636	5,136	1,377	3,759
Uniforms	650	650	504	146
Maintenance agreements	2,500	2,500	1,749	751
Other non-bondable assets	40,000	40,000	28,638	11,362
Total cost of operations and maintenance	476,286	466,786	375,246	91,540
Length of service award program	45,000	45,000	38,952	6,048
Capital outlay	140,000	140,000	-	140,000
Debt service for capital appropriations:				
Bond principal	80,000	85,000	85,000	-
Interest on bonds	25,133	25,133	21,463	3,670
Capital leases	104,165	104,165	104,164	1
Interest on capital leases	23,066	23,066	23,066	-
Total debt service for capital appropriations	232,364	237,364	233,693	3,671
Total operating appropriations	1,040,650	1,040,650	784,147	256,503
Excess (deficiency) of revenues under (over) expenditures	(319,550)	(319,550)	(57,578)	261,972
Fund balance, January 1	830,509	830,509	830,509	-
Fund balance, December 31	<u>\$ 510,959</u>	<u>\$ 510,959</u>	<u>\$ 772,931</u>	<u>\$ 261,972</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Long-Term Debt
Schedule of Serial Bonds Payable
For the year ended December 31, 2013

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance January 1, 2013</u>		<u>Balance December 31, 2013</u>	
			<u>Date</u>	<u>Amount</u>		<u>Issued</u>	<u>Retired</u>		
General Obligation Bonds, 1997	01/01/1997	1,250,000	1/1/15	90,000	5.700%	\$ 360,000	\$ -	\$ 85,000	\$ 275,000
			1/1/16	90,000	5.750%				
			1/1/17	95,000	5.750%				
			Total						\$ 360,000

EXHIBIT I-2

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, 2013

<u>Description</u>	<u>Date of Lease</u>	<u>Term of Lease</u>	<u>Amount of Original Issue</u>		<u>Interest Rate Payable</u>	<u>Amount Outstanding January 1, 2013</u>		<u>Issued</u>	<u>Retired</u>	<u>Adjustments</u>	<u>Amount Outstanding December 31, 2013</u>	
			<u>Principal</u>	<u>Interest</u>								
Rescue Truck	2/11/11	7 years	781,155	109,453	3.39%	\$	680,407	\$ -	\$ 104,164	\$ -	\$	576,243
					Total	\$	680,407	\$ -	\$ 104,164	\$ -	\$	576,243

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, 2013. 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.

Examination of Cash Receipts

A test check of cash receipts was made.

Follow-up on Prior Years' Findings

In accordance with *Government Auditing Standards* we have included a review of prior year findings. The previous year's audit findings have been corrected.

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 04, 2014
Toms River, New Jersey