

**FIRE DISTRICT NO. 3  
OF THE TOWNSHIP OF SOUTH BRUNSWICK**

**Financial Statements**

**For the year ended December 31, 2016**

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Financial Statements and Supplementary Schedules**  
**For the year ended December 31, 2016**  
**(With Independent Auditor's Report thereon)**

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## INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners  
Fire District No. 3 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. 3 of the Township of South Brunswick, County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2016, 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. 3 of the Township of South Brunswick, County of Middlesex, State of New Jersey, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated **June 16, 2017**, on our consideration of the Fire District No. 3 of the Township of South Brunswick's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fire District No. 3 of the Township of South Brunswick's internal control over financial reporting and compliance.

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

June 16, 2017  
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**

The Board of Commissioners of  
Fire District No. 3 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 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, each major fund, and the aggregate remaining fund information of Fire District No. 3 of the Township of South Brunswick as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated June 16, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered District'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 District’s internal control. Accordingly, we do not express an opinion on the effectiveness of District’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the general comments and recommendations as listed in the table of contents to be a significant deficiency as finding 2016-01.

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 District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* or audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and are listed in the general comments and recommendations as listed in the table of contents as finding 2016-01.

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

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

June 16, 2017  
Toms River, New Jersey



# Board of Commissioners

## South Brunswick Fire District #3

PO Box 78, Kingston, NJ 08540

June 16, 2017

Board of Commissioners of  
Fire District No. 3 of the Township of South Brunswick  
County of Middlesex  
Kingston, New Jersey 08528

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, 2016.

The District Wide Financial Statement of Net Position shows the financial position of the Fire District No. 3 of the Township of South Brunswick (the District) at December 31. Assets are compared with Liabilities and Net Position is the result.

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

### Financial Analysis

The District, at December 31, 2016, has total net position of \$1,719,207 compared to \$1,690,657 at December 31, 2015. The increase in net position is primarily due to the large increase of amounts raised by taxation of \$128,534.

The District liabilities of \$69,700 at December 31, 2016 decreased \$1,094 compared to the prior year. Total liabilities remained fairly constant in 2016 compared to 2015.

In summary, net position increased by \$28,550 for the year ended December 31, 2016.

Key District financial information for the years 2016 and 2015 include the following balances:

	Assets	
	<u>2016</u>	<u>2015</u>
Unrestricted current assets	\$ 652,983	\$ 932,117
Property, plant and equipment, net of depreciation	<u>1,135,924</u>	<u>829,334</u>
Total assets	<u>\$ 1,788,907</u>	<u>\$ 1,761,451</u>

#### Liabilities and Net Position

Liabilities	\$ 69,700	\$ 70,794
Net position – investment in capital assets	1,135,924	829,334
Net position – restricted	259,174	500,327
Net position – unrestricted	<u>324,109</u>	<u>360,996</u>
Liabilities and net position	<u>\$ 1,788,907</u>	<u>\$ 1,761,451</u>

#### Other Financial Information:

Total operating/non-operating revenues	\$ 530,872	\$ 421,610
Total operating/non-operating expenses	<u>503,322</u>	<u>451,436</u>
Excess revenues over expenses	<u>\$ 28,550</u>	<u>\$ (29,826)</u>
Capital spending	361,153	279,809

The District's total 2016 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 8 Heathcote Road, Kingston, New Jersey 08528 during the District's business hours.

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Statement of Net Position**  
**December 31, 2016**

	<u>Governmental Activities</u>
	<u>2016</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 629,134
Prepaid insurance	23,849
Total current assets	<u>652,983</u>
Capital assets (net of depreciation)	<u>1,135,924</u>
Total assets	<u>1,788,907</u>
Liabilities:	
Current liabilities:	
Accounts payable	<u>69,700</u>
Total current liabilities	<u>69,700</u>
Total liabilities	<u>69,700</u>
Net position:	
Net investment in capital assets	1,135,924
Restricted net position:	
Capital	259,174
Unrestricted net position	<u>324,109</u>
Total net position	<u>\$ 1,719,207</u>

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Statement of Activities**  
**For the year ended December 31, 2016**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities</u>
			<u>2016</u>
Government activities:			
Operation appropriations:			
Administration	\$ 40,621	\$ -	\$ 40,621
Costs of operations and maintenance	420,594	-	420,594
Length of service award contribution	41,107	-	41,107
	<hr/>	<hr/>	<hr/>
Total government activities	502,322	-	502,322
General revenues:			
Miscellaneous revenue			47,512
Operating grant revenues			1,444
Amount raised by taxation			481,916
			<hr/>
Total general revenues			530,872
			<hr/>
Change in net position			28,550
Net position, January 1			1,690,657
			<hr/>
Net position, December 31			\$ 1,719,207
			<hr/> <hr/>

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2016**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u> <u>December 31,</u> <u>2016</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 629,134	\$ -	\$ 629,134
Other receivable	-	259,174	259,174
Total assets	<u>\$ 629,134</u>	<u>\$ 259,174</u>	<u>\$ 888,308</u>
Liabilities, equity and other credits:			
Accounts payable	\$ 69,700	\$ -	\$ 69,700
Other payable	259,174	-	259,174
Total liabilities	<u>328,874</u>	<u>-</u>	<u>328,874</u>
Fund balances:			
Restricted for:			
Capital	-	259,174	259,174
Unassigned, reported in:			
General fund	214,569	-	214,569
Designated for subsequent year's expenditures	85,691	-	85,691
Total fund balance	<u>300,260</u>	<u>259,174</u>	<u>559,434</u>
Total liabilities and fund balance	<u>\$ 629,134</u>	<u>\$ 259,174</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.			23,849
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,236,654 and the accumulated depreciation is \$1,100,730.			<u>1,135,924</u>
Net position of governmental activities			<u>\$ 1,719,207</u>

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Governmental Funds**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total December 31, 2016</u>
Revenues:			
Miscellaneous anticipated revenue:			
Investment income	\$ 9,412	\$ -	\$ 9,412
Shared services agreement	38,100	-	38,100
Total miscellaneous revenues	<u>47,512</u>	<u>-</u>	<u>47,512</u>
Operating grant revenues:			
Supplemental fire service act	1,444	-	1,444
Total operating grant revenue	<u>1,444</u>	<u>-</u>	<u>1,444</u>
Total revenues	<u>48,956</u>	<u>-</u>	<u>48,956</u>
Amount raised by taxation to support district budget	<u>361,916</u>	<u>120,000</u>	<u>481,916</u>
Total anticipated revenues	<u>410,872</u>	<u>120,000</u>	<u>530,872</u>
Expenditures:			
Operating appropriations:			
Administration:			
Salaries and wages	13,038	-	13,038
Other expenditures:			
Professional fees	15,532	-	15,532
Elections	2,602	-	2,602
Membership dues	300	-	300
Printing	3,030	-	3,030
Advertising Expense	1,341	-	1,341
Telephone	3,600	-	3,600
Travel	363	-	363
Staff expenses	401	-	401
Fire Prevention Program	414	-	414
Total administration	<u>40,621</u>	<u>-</u>	<u>40,621</u>
Cost of operations and maintenance:			
Salaries and wages	89,266	-	89,266
Other expenditures:			
Fire protection services	100,000	-	100,000
First aid services	3,000	-	3,000
Insurance	65,161	-	65,161
Training and education	3,805	-	3,805
Equipment maintenance and repairs	38,439	-	38,439
Firefighting equipment	3,720	-	3,720
Medical	928	-	928
Other non-bondable assets	62,428	-	62,428
Total cost of operations and maintenance	<u>366,747</u>	<u>-</u>	<u>366,747</u>
Length of service award program	<u>41,107</u>	<u>-</u>	<u>41,107</u>
Capital appropriations	<u>-</u>	<u>361,153</u>	<u>361,153</u>
Total governmental expenditures	<u>448,475</u>	<u>361,153</u>	<u>809,628</u>
Excess (deficiency) of revenues under (over) expenditures	<u>(37,603)</u>	<u>(241,153)</u>	<u>(278,756)</u>
Fund balance, January 1	<u>337,863</u>	<u>500,327</u>	<u>838,190</u>
Fund balance, December 31	<u>\$ 300,260</u>	<u>\$ 259,174</u>	<u>\$ 559,434</u>

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

**FIRE DISTRICT NO. 3 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, 2016**

Total net changes in Fund Balance-Governmental Funds (B-2)	\$	(278,756)
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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	15,498	
Capital Outlays-Capital Fund	361,152	
Depreciation Expense	(70,060)	
		306,590

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	(23,133)	
	Current year	23,849	
			716

Change in net position of governmental activities	\$	28,550
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**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Fiduciary Funds**  
**Statement of Net Position**  
**December 31, 2016**

	<b>Length of Service Award Program</b>	<b>Totals</b>
		<b>December 31, 2016</b>
Assets:		
Investments	\$ 499,229	\$ 499,229
Contributions receivable	27,831	27,831
Total assets	527,060	527,060
Net position:		
Reserved:		
For Length of Service Award Program	527,060	527,060
Total net position	\$ 527,060	\$ 527,060

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Fiduciary Funds**  
**Statement of Changes in Net Position**  
**For the year ended December 31, 2016**

	<b>Length of Service Award Program</b>	<b>Totals December 31, 2016</b>
Revenues and other financing sources:		
District contributions	\$ 41,107	\$ 41,107
Total contributions	41,107	41,107
Investment income:		
Net appreciation in fair value of investments	20,084	20,084
Total investment income	20,084	20,084
Total revenues and other financing sources	61,191	61,191
Expenditures:		
Benefits paid directly to participants	-	-
Administrative expenses	750	750
Total expenditures	750	750
Excess of revenues and other financing sources over expenditures	60,441	60,441
Net position, January 1	466,619	466,619
Net position, December 31	\$ 527,060	\$ 527,060

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements**  
**For the year ended December 31, 2016**

**NOTE 1: GENERAL INFORMATION**

**A. Description of Reporting Entity**

Fire District No. 3 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. 3 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, 2016:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
Chris Ciabattone	2017
Jane Eisenmann	2018
Norman H. Luck Sr.	2017
Agostino Racanati	2018
Jodi Racanati	2019

**C. Accounting Records**

The official accounting records of the Fire District No. 3 of the Township of South Brunswick are maintained in the office of the District.

**D. Minutes**

Minutes were recorded for meetings and contained approvals for disbursements.

**E. Component Units**

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

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

**E . Component Units (continued)**

No. 61, The Financial Reporting Entity: Omnis - an amendment of GASB Statements No. 14 and No. 34. The District had no component units as of for the year ended December 31, 2016.

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

**A. Basis of Presentation**

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

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

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

**B. Fund Accounting**

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

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

**B. Fund Accounting (continued)**

Governmental Funds:

*General Fund*

The General Fund is the general operating fund of the Fire District and is used to account for the inflows and outflows of financial resources. The acquisition of certain capital assets, such as fire fighting apparatus and equipment, is accounted for in the General Fund when it is responsible for the financing of such expenditures.

*Capital Projects Fund*

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities such as firehouses and fire fighting apparatus. Generally, the financial resources of the Capital Projects Fund are derived from the issuance of debt or by the reservation of fund balance, which must be authorized by the voters as a separate question of the ballot either during the annual election or at a special election.

Fiduciary Funds:

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

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

*District Wide Financial Statements*

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

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

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

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

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

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

*Fund Financial Statements*

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

**D. Basis of Accounting**

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

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

In its accounting and financial reporting, the Fire District No. 3 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.

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

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

**E. Budgets and Budgetary Accounting (continued)**

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, 2016.

**G. Cash and Cash Equivalents**

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

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

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

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

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:

Equipment	10 to 15 Years
Apparatus and Vehicles	5 to 25 Years

**K. Inventory, Materials and Supplies**

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

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

**L. Interfund Receivable/Payable**

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

**M. Revenues and Expenditures**

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

Expenditures are recorded when the related liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

**N. Fire District Taxes**

Upon proper certification to the assessor of the municipality in which the Fire District is located, the assessor shall assess the amount of taxes to be realized in support of the Fire District's budget in the same manner as all other municipal taxes. The collector or treasurer of the municipality shall then pay over to the treasurer or custodian of funds of the Fire District the taxes assessed in accordance with the following schedule: on or before April 1, an amount equaling 21.25% of all monies assessed, on or before July 1, an amount equaling 22.5% of all monies assessed, on or before October 1, an amount equaling 25% of all monies assessed and on or before December 31 an amount equal to the difference between the total of all monies assessed and the total of monies previously paid over.

**O. Fund Equity**

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Fire District No. 3 of South Brunswick classifies governmental fund balances as follows:

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

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

**O. Fund Equity (continued)**

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

**P. Net Position**

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

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

**Q. Use of Estimates**

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

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

*Adopted Accounting Pronouncements*

For the year ended December 31, 2016, the District implemented GASB Statement No. 72, *Fair Value Measurement and Application*. As a result of implementing this statement, the District is required to measure certain investments at fair value for financial reporting purposes. In addition, the District is required to measure donated capital assets at acquisition value (an entry price); these assets were previously required to be measured at fair value. Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Implementation of this Statement did not impact the District's financial statements.

The District implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68*, and

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

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

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

*Amendments to Certain Provisions of GASB Statements 67 and 68.* Implementation of this Statement did not impact the District's financial statements.

The District implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Implementation of this Statement did not impact the District's financial statements.

*Recently Issued and Adopted Accounting Pronouncements*

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

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. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the District's financial statements.

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. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact 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*. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact 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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

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

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

participants. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact 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. 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 impact 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 impact 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 June 30, 2018. Management has not yet determined the potential impact on the District's financial statements.

Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting requirements for certain asset retirement obligations and establishes the timing and pattern of recognition of a liability and corresponding deferred outflow of resources. This Statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to impact the District's financial statements.

Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to impact the District's financial statements.

Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). 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.

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

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

**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:

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

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

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

The table in Note 4 sets forth by level, within the fair value hierarchy, the LOSAP's assets at fair value as of December 31, 2016.

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

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

**S. Subsequent Events**

Fire District No. 3 of the Township of South Brunswick has evaluated subsequent events occurring after December 31, 2016 through the date of June 16, 2017, 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, 2016, and reported at fair value are as follows:

**Deposits:**

Demand Deposits	\$ <u>629,134</u>
Total Deposits	\$ <u>629,134</u>

**Reconciliation to Governmental Fund Statements:**

Governmental Funds	\$ <u>629,134</u>
Total	\$ <u>629,134</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, 2016, the District's bank balance of \$711,678 was insured or collateralized as follows:

Insured	\$ 250,000
Collateralized in the District's name under GUDPA	<u>461,678</u>
Total	<u>\$ 711,678</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. 3 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**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, 2016, 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. 3 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 4: INVESTMENTS (continued)**

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

As of December 31, 2016, the Fire District had the following investments and maturities:

	<i>Assets at Fair Value as of December 31, 2016</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
LOSAP:				
Mutual funds:				
Large Growth/Value/Blend	\$ 47,133	\$ -	\$ -	\$ 47,133
International Securities	29,699	-	-	29,699
Mid-Cap Blend/Growth	39,982	-	-	39,982
Growth	24,452	-	-	24,452
Bonds	7,832	-	-	7,832
Utilities	4,658	-	-	4,658
Aggressive Allocation	1,395	-	-	1,395
Total mutual funds	155,151	-	-	155,151
Fixed Account Investment Contract	-	-	344,078	344,078
Total assets at fair value	\$ 155,151	\$ -	\$ 344,078	\$ 499,229

**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, 2016.

*Level 3 Assets*  
*Year Ended December 31, 2015*

	<u>Fixed Account</u>
Balance, beginning of year	\$ 317,564
Purchases, sales, issuances, and settlements (net)	15,860
Gain and (losses)	10,654
Balance, end of year	\$ 344,078

**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.

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 5: CAPITAL ASSETS (continued)**

Capital assets consisted of the following at December 31, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated				
Apparatus in progress	\$ 263,172	\$ -	\$ (263,172)	\$ -
Total capital assets not being depreciated	263,172	-	(263,172)	-
Apparatus and Vehicles	1,450,854	624,324	-	2,075,178
Equipment	145,978	15,498	-	161,476
Totals at Historical Cost	1,596,832	639,822	-	2,236,654
Less: Accumulated Depreciation:				
Apparatus and Vehicles	(916,401)	(64,508)	-	(980,909)
Equipment	(114,269)	(5,552)	-	(119,821)
Total accumulated depreciation	(1,030,670)	(70,060)	-	(1,100,730)
Total capital assets net of accumulated depreciation	\$ 566,162	\$ 569,762	\$ -	\$ 1,135,924

**NOTE 6: 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 \$527,060 as of December 31, 2016.

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.

**NOTE 7: 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, 2016, the fire tax rate on the Fire District No. 3 was approximately \$.081 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 \$1,444.

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 8: 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 9: INTERFUND RECEIVABLE/PAYABLE**

As of December 31, 2016, the following interfund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ -	\$ 259,174
Capital projects	<u>259,174</u>	<u>-</u>
Total	<u>\$ 259,174</u>	<u>\$ 259,174</u>

The purpose of interfunds are short-term borrowings.

Interfunds receivables are recorded as other receivables. Interfund payables are recorded as other payables.

**NOTE 10: FUND BALANCE**

**General Fund** – Of the \$300,260 General Fund fund balance at December 31, 2016, \$214,569 is unassigned and \$85,691 is designated for subsequent year’s expenditures.

**Capital Projects Fund** – Of the \$259,174 Capital Projects Fund fund balance at December 31, 2016, \$259,174 is restricted for future capital outlays.

**NOTE 11: SHARED SERVICES AGREEMENT**

Fire District No. 3 of the Township of South Brunswick has entered into a shared services agreement with Fire District No.4 of the Township of Franklin to provide firefighting services. For the year ended December 31, 2016, Fire District No. 3 of the Township of South Brunswick recognized \$38,100 as revenue for providing these services.

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Budgetary Comparison Schedule**  
**All Governmental Funds**  
**For the year ended December 31, 2016**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ -	\$ -	\$ 9,412	\$ 9,412
Shared services agreement	38,100	38,100	38,100	-
Other revenue	-	-	-	-
Total miscellaneous revenues	<u>38,100</u>	<u>38,100</u>	<u>47,512</u>	<u>9,412</u>
Operating grant revenues:				
Supplemental fire service act	1,443	1,443	1,444	1
Total operating grant revenue	<u>1,443</u>	<u>1,443</u>	<u>1,444</u>	<u>1</u>
Total revenues	<u>39,543</u>	<u>39,543</u>	<u>48,956</u>	<u>9,413</u>
Amount raised by taxation to support district budget	<u>481,916</u>	<u>481,916</u>	<u>481,916</u>	<u>-</u>
Total anticipated revenues	<u>521,459</u>	<u>521,459</u>	<u>530,872</u>	<u>9,413</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	16,050	16,050	13,038	3,012
Other expenditures:				
Professional fees	27,500	27,500	15,532	11,968
Elections	4,000	4,000	2,602	1,398
Membership dues	300	300	300	-
Printing	5,500	5,500	3,030	2,470
Advertising Expense	1,000	1,000	1,341	(341)
Telephone	4,000	4,000	3,600	400
Travel	1,000	1,000	363	637
Staff expenses	1,000	1,000	401	599
Fire Prevention Program	500	500	414	86
Supplemental fire services act	1,443	1,443	-	1,443
Total administration	<u>62,293</u>	<u>62,293</u>	<u>40,621</u>	<u>21,672</u>
Cost of operations and maintenance:				
Salaries and wages	85,000	85,000	89,266	(4,266)
Other expenditures:				
Fire protection services	100,000	100,000	100,000	-
First aid services	3,000	3,000	3,000	-
Insurance	71,500	71,500	65,161	6,339
Training and education	4,000	4,000	3,805	195
Equipment maintenance and repairs	35,000	35,000	38,439	(3,439)
Firefighting equipment	4,000	4,000	3,720	280
Medical	10,000	10,000	928	9,072
Nonbondable assets	110,000	106,800	62,428	44,372
Total cost of operations and maintenance	<u>422,500</u>	<u>419,300</u>	<u>366,747</u>	<u>52,553</u>
Length of service award program	38,000	41,200	41,107	93
Capital outlay	120,000	481,153	361,153	120,000
Total operating appropriations	<u>642,793</u>	<u>1,003,946</u>	<u>809,628</u>	<u>194,318</u>
Excess (deficiency) of revenues under (over) expenditures	<u>(121,334)</u>	<u>(482,487)</u>	<u>(278,756)</u>	<u>203,731</u>
Fund balance, January 1	<u>838,190</u>	<u>838,190</u>	<u>838,190</u>	<u>-</u>
Fund balance, December 31	<u>\$ 716,856</u>	<u>\$ 355,703</u>	<u>\$ 559,434</u>	<u>\$ 203,731</u>



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Board of Fire Commissioners  
 Fire District No. 3 of the Township of South Brunswick  
 Kingston, New Jersey

We have audited the basic financial statements of the Fire District No. 3 of the Township of South Brunswick, County of Middlesex, State of New Jersey for the year ended December 31, 2016. 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*).

## **Budget**

An examination of the District approved budget was conducted to ensure line items were not overspent.

## **Examination of Bills**

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

## **Examination of Cash Receipts**

A test check of cash receipts was made.

## **Budget**

An examination of the District approved budget was conducted to ensure line items were not overspent.

## **Comment 2016-001:**

The District does not accurately maintain records to support volunteer participant's eligibility in the Length of Service Award Program. Four individuals received credit for service when adequate documentation was not maintained to support the required point total.

## **Recommendation:**

The District must keep an accurate and comprehensive eligibility listing of LOSAP point totals for all members as set forth in the District's plan document.

## **Management's Response:**

This will be corrected in the 2017 fiscal year.

## **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*

June 16, 2017  
Toms River, New Jersey