

**FIRE DISTRICT NO. 3  
TOWNSHIP OF EAST BRUNSWICK, NEW JERSEY**

**REPORT OF AUDIT**

**DECEMBER 31, 2015**

**TOWNSHIP OF EAST BRUNSWICK  
FIRE DISTRICT NO. 3  
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**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT #3**

**2016 OFFICIALS IN OFFICE AND SURETY BONDS**

<b><u>NAME</u></b>	<b><u>POSITION</u></b>	<b><u>AMT. OF SURETY BOND</u></b>
<b><u>BOARD OF COMMISSIONERS</u></b>		
Edward M. Bowne III	Chairman	(A)
Ryan Fenstermaker	Vice Chairman	(A)
David C. Wood	Treasurer	(A)
Scott M. Miller	Clerk/Secretary	(A)
Thomas Duffy	Asst. Clerk/Secretary	(A)

(A) Atlantic Employers Insurance Company provides a Surety Bond for the amount of \$100,000

## **FINANCIAL SECTION**

A NEW YORK PROFESSIONAL LIMITED LIABILITY COMPANY  
451 ROBINSON AVENUE  
STATEN ISLAND, NY 10312  
STCPAPLLC@GMAIL.COM

## INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners  
Township of East Brunswick  
Fire District #3  
East Brunswick, NJ 08816

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund and the aggregate remaining fund information of the Township of East Brunswick Fire District #3, in the County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise the Township of East Brunswick Fire District #3'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 the 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 error or fraud.

### **Auditor's Responsibility**

Our responsibility is to express an opinion 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, and 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 of 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 auditor's 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 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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund and the aggregate remaining fund information of the Township of East Brunswick Fire District #3, in the County of Middlesex, State of New Jersey, as of December 31, 2015, and the respective changes in financial position thereof 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 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 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 an opinion on the financial statements that collectively comprise the Township of East Brunswick Fire District #3's basic financial statements as a whole. The supplemental schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Township of East Brunswick Fire District #3, in the County of Middlesex, State of New Jersey.

The Supplemental Data and Schedules are the responsibility of management and were derived directly from and related 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 or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental data section is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The supplemental data section has not been subjected to the audit procedures applied on the audit of the basic financial statements and, accordingly we do not express an opinion or provide any assurance on them.

### **Other Reporting By Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated April 30, 2016 on our consideration of the Township of East Brunswick Fire District #3'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 Accounting Standards in considering the Township of East Brunswick Fire District #3's internal control over financial reporting and compliance.

*Solitario & Tierney, CPA, PLLC*

Staten Island, New York  
April 30, 2016

A NEW YORK PROFESSIONAL LIMITED LIABILITY COMPANY  
451 ROBINSON AVENUE  
STATEN ISLAND, NY 10312  
STCPAPLLC@GMAIL.COM

**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  
Township of East Brunswick  
Fire District #3  
East Brunswick, NJ 08816

We have audited the financial statements of the governmental activities and each major fund of the Township of East Brunswick Fire District #3, in the County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2015 and have issued our report thereon dated April 30, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, State of New Jersey.

**Internal Control Over Financial Reporting**

Management of the Township of East Brunswick Fire District No. 3 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Fire District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fire District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fire District's internal control over financial reporting.

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 Fire District's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township of East Brunswick Fire District #3's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do

not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards, and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, State of New Jersey.

This report is intended solely for the information and use of the management of the Fire District and the Bureau of Authority Regulation and is not intended to be and should not be used by anyone other than these specified parties.

*Solitario & Tierney, CPA, PLLC*

Staten Island, New York  
April 30, 2016

**REQUIRED SUPPLEMENTARY INFORMATION**  
**PART I**

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(UNAUDITED)**

As management of the Township of East Brunswick Fire District No. 3, (hereafter referred to as the "Fire District") we offer readers of the Fire District's financial statements this narrative overview and analysis of the financial activities of the Fire District for the year ended December 31, 2015. The intent of this discussion and analysis is to look at the Fire District's financial performance as a whole; readers should also review the information furnished in the notes to the basic financial statements along with the financial statements to enhance their understanding of the Fire District's financial performance.

**Financial Highlights**

- The assets of the Fire District exceeded its liabilities at the close of the most recent year by \$632,173 (Net Position).
- As of the close of the current year, the Fire District's governmental funds reported combined ending fund balances of \$988,638, a decrease of \$37,948 in comparison with the prior year.
- At the end of the current year, the committed fund balance for the capital fund was \$643,726, approximately a 10.32 percent increase from the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$275,810, approximately a .94 percent decrease from the prior year.

**Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Fire District's basic financial statements. The Fire District's basic financial statements are comprised of three components: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

**District-wide financial statements.** The district-wide financial statements are designed to provide readers with a broad overview of the Fire District's finances, in a manner similar to a private sector business.

The Statement of Net Position presents information on all of the Fire District's assets and liabilities, with the difference between the two reported as the net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the Fire District is improving or deteriorating.

The Statement of Activities presents information showing how the Fire District's net position changed during the most recent year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

The two district-wide financial statements distinguish functions of the Fire District that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Fire District include the following: fire suppression, fire rescue, fire inspections and investigations and fire prevention activities; all of which are provided to the citizens of the Township of East Brunswick.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Fire District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Fire District constitute one fund type, governmental funds.

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(UNAUDITED)**

**Governmental Funds.** All of the Fire District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual basis of accounting which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Fire District's general government operations and the basic services it provides, as listed above. Government fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the services that the Fire District provides to the citizens of the Township of East Brunswick.

The Fire District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, special revenue fund, capital projects fund, and the debt service fund.

The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Also, the Fire District adopts an annual budget in accordance with N.J.S.A. 40A:14:78-3. Budgetary comparison schedules have been provided to demonstrate compliance with the budget.

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

**District-wide Financial Analysis**

As noted earlier, the net position may serve over time as a useful indicator of a government's financial position. In the case of the Fire District, assets exceeded liabilities by \$632,173 at the close of the most recent year.

The Fire District uses its capital assets to provide fire-fighting services to the citizens of the Township of East Brunswick; consequently these assets are not available for future spending. Although the Fire District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Statement of Net Position**

TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3  
NET POSITION  
DECEMBER 31, 2015

Current and Other Assets	\$ 1,099,889
Capital Assets	<u>29,864</u>
Total Assets	\$ 1,129,753
Long-term Liabilities Outstanding	\$ 400,000
Other Liabilities	<u>97,580</u>
Total Liabilities	\$ <u>497,580</u>
Net Position	\$ <u>632,173</u>

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(UNAUDITED)**

Invested Capital Assets, Net of Related Debt	\$ 29,864
Designated for Debt Service	14,102
Committed for Capital Projects	643,726
Unassigned	<u>(55,519)</u>
Net Position	\$ <u>632,173</u>

An additional portion of the Fire District's net position (\$657,828) represents resources that are subject to external restrictions on how they may be used.

**Governmental Activities.** The Statement of Activities shows the cost of the governmental activities program services and the charges for service and grants offsetting those services. Key elements of the increase in governmental activities are as follows:

**Expenses**

Operating Appropriations:	
Administration	\$ 20,377
Cost of Operations and Maintenance	437,579
LOSAP Contribution	35,000
Interest on Long Term Debt	<u>4,768</u>

Total Program Expenses	\$ 497,724
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Program Revenues:	
Operating Grants & Contributions	<u>\$ 1,889</u>

Net Program Expenses	\$ 495,835
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**General Revenues**

Taxes:	
Property Taxes, Levied for General Purposes	\$ 534,948
Taxes Levied for Debt Service	103,200
Unrestricted Investment Earnings	834
Miscellaneous Income	<u>3,141</u>

Total General Revenues	<u>\$ 642,123</u>
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Increase in Net Position	\$ 146,288
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Net Position, January 1	\$ 475,632
Prior Period Adjustment	<u>10,253</u>

Net Position, December 31	<u>\$ 632,173</u>
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**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(UNAUDITED)**

Property taxes constituted 99% of revenues for government activities for the Fire District for the year 2015.

Cost of Operations and Maintenance comprises 88% of fire district expenses, with administration comprising 4%.

**Financial Analysis of the Government Funds.** As stated earlier, the Fire District uses fund accounting to insure and demonstrate compliance with finance-related legal requirements.

**Governmental Fund.** The focus of the Fire District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Fire District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year and as a useful measure of permitting a governmental unit to maintain cash flow in anticipation of tax collections.

As of the end of the current year, the Fire District's governmental funds reported combined ending fund balances of \$988,638, a decrease of \$37,948 in comparison with the prior year.

Of the combined ending fund balances of \$988,638, the unassigned fund balance constituted \$330,810, of which \$55,000 has been utilized on the 2016 budget. The remainder of the fund balance is \$657,828, of which \$14,102 represents funds designated for debt service and \$643,726 represents funds committed for future spending. Of the \$643,726 committed for future spending, \$60,000 from Future Capital Outlays and \$419,500 from the Firehouse Project have been utilized in the 2016 budget. This leaves \$164,177 committed to indicate that it is not available for new spending during 2016 because it is committed to planned future capital outlays that are subject to the approval of the voters of the Fire District. And with regards to the Firehouse Project a balance of \$49 is committed to indicate that it is available only for expenditures associated with the Capital Firehouse Project which was approved by the voters of the Fire District on June 23, 2012.

The general fund is the main operating fund of the Fire District. At the end of the current year, the unassigned fund balance of the general fund was \$330,810, while the total fund balance was \$988,638.

The capital projects fund had a fund balance of \$643,726 at the end of the current year. There was an increase in this balance during the current period of \$60,232.

The debt service fund had a fund balance of \$14,102 at the end of the current year. This fund is designated for payment on the Inter-Local Service Agreement (I) with the Township of East Brunswick.

### **General Fund Budgetary Highlights**

During the course of the 2015-year the Fire District modified its general fund budget in conformance with statute.

The key items of variance from the original budget are indicated above.

The final budgetary basis revenue estimate was \$675,537. The original budgetary estimate was the same.

During the year 2015, the Fire District budgeted \$638,148 for property taxes (local tax levy) and \$1,889 for state aid revenues (supplemental fire services grant).

The final budgetary basis expenditures appropriation estimate was \$675,537. The original budgetary estimate was the same.

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(UNAUDITED)**

**Capital Assets and Debt Administration.**

The Fire District's investment in capital assets for its governmental activities as of December 31, 2015 amounts to \$29,864 (net of accumulated depreciation). This investment in capital assets includes vehicles and firefighting equipment. The Fire District made no significant purchases in firefighting equipment during 2015.

At the end of 2015 the Fire District had \$1,832,656 invested in vehicles and firefighting equipment. The accumulated depreciation on these items was \$1,802,792.

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3  
CAPITAL ASSETS  
(NET OF ACCUMULATED DEPRECIATION)  
DECEMBER 31, 2015**

FIREFIGHTING EQUIPMENT	<u>\$ 29,864</u>
TOTAL CAPITAL ASSETS	<u>\$ 29,864</u>

Additional information on the Fire District's capital assets can be found in Note 4 in the notes to financial statements.

**Long-Term Obligations**

As of December 31, 2015, the Fire District had a total debt outstanding of \$400,000. This debt consists of an Inter-Local Service Agreement with the Township of East Brunswick. This agreement was activated when the Fire District took the first draw of \$500,000, against a total agreed amount of \$2,000,000. This obligation is for the Capital Improvement Project for the Riva Avenue Firehouse. See Note 5 in the notes to financial statements for additional information.

**Economic Factors and Next Year's Budget**

For the 2015 year the Fire District was able to sustain its budget through the district tax levy and other sources of revenue. Approximately 99 percent of total revenue is from the local tax levy, while the remainder is from other sources. The Board of Fire Commissioners adopted the 2016 budget January 12, 2016 and the voters subsequently approved the budget at the annual fire district election held on February 20, 2016.

**Requests for Information**

This financial report is designed to provide a general overview of the Fire District's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: David Wood, Treasurer, Township of East Brunswick - Fire District No. 3, P.O. Box 491, East Brunswick, NJ 08816.

## **BASIC FINANCIAL STATEMENTS**

## **DISTRICT-WIDE FINANCIAL STATEMENTS**

## TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3

## STATEMENT OF NET POSITION

DECEMBER 31, 2015

**ASSETS:**

Cash and Cash Equivalents	\$ 1,086,218
Prepaid Expenses	13,671
Capital Assets, net (Note 4)	<u>29,864</u>
Total Assets	\$ 1,129,753

**LIABILITIES:**

Accounts Payable	\$ 97,580
Noncurrent Liabilities (Note 5)	
Due within One Year	100,000
Due beyond One Year	<u>300,000</u>
Total Liabilities	\$ 497,580

**NET POSITION:**

Invested in Capital assets, Net of Related debt.	\$ 29,864
Designated for Debt Service	14,102
Committed for:	
Capital Outlay	224,177
Firehouse Project	419,549
General	-
Unassigned:	
General	(55,519)
Capital	<u>-</u>
Total Net Position	<u><u>\$ 632,173</u></u>

See accompanying Accountant's Report and Notes.

## TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

## Expenses:

## Operating Appropriations:

Administration	\$ 20,377
Cost of Operations and Maintenance	437,579
Length of Service Award Program (LOSAP)-	
Contribution (P.L. 1997, c. 388)	35,000
Interest on Long-Term Debt	<u>4,768</u>

Total Program Expenses \$ 497,724

## Program Revenues:

Charges for Services	\$ -
Operating Grants and Contributions	<u>1,889</u>

Net Program Expenses \$ 495,835

## General Revenues:

## Taxes:

Property Taxes, Levied for General Purposes	\$ 534,948
Taxes Levied for Debt Service	103,200
Unrestricted Investment Earnings	834
Miscellaneous Income	<u>3,141</u>

Total General Revenues \$ 642,123

Increase in Net Position \$ 146,288

Net Position, January 1 (Note 9)	475,632
Prior Period Adjustment	<u>10,253</u>
Net Position, December 31	<u>\$ 632,173</u>

See accompanying Accountant's Report and Notes

## **FUND FINANCIAL STATEMENTS**

## TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS:</b>				
Cash	\$ 428,390	\$ 14,102	\$ 643,726	\$ 1,086,218
Total Assets	<u>\$ 428,390</u>	<u>\$ 14,102</u>	<u>\$ 643,726</u>	<u>\$ 1,086,218</u>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 97,580			\$ 97,580
Total Liabilities	\$ 97,580	\$ -	\$ -	\$ 97,580
<b>FUND BALANCES:</b>				
Designated for Debt Service		\$ 14,102		\$ 14,102
Committed:				
Future Capital Outlay			\$ 164,177	164,177
Firehouse Project			49	49
Assigned:				
Subsequent Year's Expenditures	\$ 55,000		479,500	534,500
Unassigned:				
General	<u>275,810</u>			<u>275,810</u>
Total Fund Balances	<u>\$ 330,810</u>	<u>\$ 14,102</u>	<u>\$ 643,726</u>	<u>\$ 988,638</u>
Total Liabilities and Fund Balances	<u>\$ 428,390</u>	<u>\$ 14,102</u>	<u>\$ 643,726</u>	

Amounts reported for government 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.

13,671

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$1,832,656 and the accumulated depreciation is \$1,802,792.

29,864

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.

(400,000)

Net Position of Governmental Activities

\$ 632,173

See accompanying Accountant's Report and Notes

## TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:				
Interest	\$ 602	\$ -	\$ 232	\$ 834
Operating Grant Revenue	1,889			1,889
Fund Balance Appropriated	35,000			35,000
Amount to be Raised by Taxation to Support the District Budget	534,948	103,200	-	638,148
Total Revenues	\$ 572,439	\$ 103,200	\$ 232	\$ 675,871
EXPENDITURES:				
Operating Appropriations:				
Operating & Administration	\$ 20,377	\$ -	\$ -	\$ 20,377
Operations & Maintenance	453,068			453,068
Capital Appropriations	60,000		-	60,000
Debt Service	-	103,200	-	103,200
Total Expenditures	\$ 533,445	\$ 103,200	\$ -	\$ 636,645
Excess of Revenues Over Expend.	\$ 38,994	\$ -	\$ 232	\$ 39,226
Other Financing Sources (Uses):				
Misc. Revenue Not Anticipated	\$ 3,141	\$ -	\$ -	\$ 3,141
Committed for Future Capital Outlays	-		60,000	60,000
Other Financing Sources (Uses)	\$ 3,141	\$ -	\$ 60,000	\$ 63,141
Excess of Rev\Other Financing Sources Over Expenditures\Other Financing Uses	\$ 42,135	\$ -	\$ 60,232	\$ 102,367
Fund Balances, January 1, 2015	313,422	129,670	583,494	1,026,586
Utilization of Fund Balance	(35,000)			(35,000)
Adjustment to Fund Balance	10,253	(115,568)		(105,315)
Fund Balances, December 31, 2015	<u>\$ 330,810</u>	<u>\$ 14,102</u>	<u>\$ 643,726</u>	<u>\$ 988,638</u>

See accompanying Accountant's Report and Notes

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

Total Net Change in Fund Balances - Governmental Funds	\$ 102,367
Amounts reported for governmental activities in the statement of activities (A-2) are different because:	
Proceeds from Inter-Local Service Agreement	0
Utilization of Unrestricted Funds	(35,000)
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. This is the adjustment for capital outlay and depreciation for the period.	
Depreciation Expense	(19,932)
Capital Outlay	0
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.	100,000
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).	<u>(1,147)</u>
Change in Net Position of Governmental Activities	<u>\$ 146,288</u>

See accompanying Accountant's Report and Notes

## **NOTES TO THE FINANCIAL STATEMENTS**

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1: Summary of Significant Accounting Policies**

**Description of Reporting Entity** - Fire District No. 3 of the Township of East Brunswick is a political subdivision of the Township of East Brunswick, Middlesex County, New Jersey. It was formed in November, 1985 through the adoption of a Township ordinance. A board of five commissioners oversees all operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of every February.

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

**Component Units** - GASB Statement No. 14, The Financial Reporting Entity, and GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, provide 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 Statements No. 14 and No. 39. In addition, GASB Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34, provides additional guidance for organizations that do not meet the financial accountability criteria for inclusion as component units but that nevertheless should be included because the primary government's management determines that it would be misleading to exclude them. As of December 31, 2015, it has been determined by the Fire District that no component units exist.

**Basis of Presentation** - The financial statements of the Fire District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. 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 Fire District's accounting policies are described in this Note.

The Fire District's basic financial statements consist of district-wide statements, including a Statement of Net Position and a Statement of Activities, and Fund Financial Statements, which provide a more detailed level of financial information.

**District-wide Financial Statements** - The Statement of Net Position and the Statement of Activities display information about the Fire District as a whole. These statements include the financial activities of the government. The Statement of Net Position presents the financial condition of the governmental activities of the Fire District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Fire District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. The policy of the Fire District is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Fire District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Fire District.

**Fund Financial Statements** - During the year, the Fire District segregates transactions related to certain Fire District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Fire District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a single column. The Fire District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. For fire districts, only one category of funds exists, that being governmental.

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**Basis of Presentation (Continued)**

**Governmental Funds** - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Fire District's major governmental funds:

**General Fund** - The General Fund is the general operating fund of the Fire District and is used to account for the inflow and outflow of its 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.

**Special Revenue Fund** - The Special Revenue Fund is used to account for the proceeds of specific revenue sources, such as state or federal government grants and appropriations, which are legally committed or restricted to expenditures for specified purposes.

**Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources to be used for but not limited to the acquisition or construction of major capital facilities such as fire houses 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 on the ballot either during the annual election or at a special election.

**Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for and the payment of, general long-term debt principal, interest, and related costs.

**Measurement Focus**

**District-wide Financial Statements** - The district-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Fire District are included on the Statement of Net Position.

**Fund Financial Statements** - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the district-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

**Basis of Accounting** - Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**Revenues - Exchange and Non-Exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Fire District, available means expected to be received within thirty days of year-end.

Non-exchange transactions, in which the Fire District receives value without directly giving equal value in return, include Ad Valorem (property) taxes, grants, entitlements and donations. Ad Valorem (Property) Taxes are susceptible to accrual, as under New Jersey State Statute, a municipality is required to remit to its Fire District the entire balance of taxes in the amount voted upon or certified, prior to the end of the fire district year. The Fire District records the entire approved tax levy as revenue (accrued) at the start of the year since the revenue is both measurable and available. The Fire District is entitled to receive monies under the following established payment 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 equaling the difference between the total of all monies so assessed and the total amount of monies previously paid over. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Fire District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the Fire District on a reimbursement basis.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: grants, fees and rentals.

**Expenses / Expenditures** - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**Budgets / Budgetary Control** - 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 not 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 District's basic fund financial statements.

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**Budgets / Budgetary Control (Continued)**

Amounts reported under "final budget" on Exhibit C-1, D-2 and E-2 include modifications to the adopted budget that were made during the year as approved by the Board of Commissioners.

**Cash, Cash Equivalents and Investments** - Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. All certificates of deposit are recorded at cost plus accrued interest regardless of date of maturity. All other investments are stated at fair value.

New Jersey municipal units 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 and organized under the laws of the United State or of the State of New Jersey or in the New Jersey Cash management Fund. N.J.S.A. 40A: 5-15.1 provides a list of investments which may be purchased by New Jersey municipal units.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories are state or federally chartered financial institutions that are FDIC insured or by any other agency of the United States which insures deposits made in public depositories. All public depositories must pledge collateral, having a market value at least equal to five percent of the 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.

**Inventories and Prepaid Expenses** - Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in governmental fund types is recorded as expenditures when purchased rather than when consumed.

Inventories recorded on the district-wide financial statements are recorded as expenditures when consumed rather than when purchased. As of December 31, 2015, no inventories exist.

Prepaid expenses recorded in the governmental fund types, which benefit future periods, are recorded as expenditures during the year of purchase. Prepaid expenses recorded on the district-wide financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2015.

**Interfunds** - Short-term inter-fund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Fire District and that are due within one year. These amounts are eliminated in the governmental column of the Statement of Net Position.

**Capital Assets** - General capital assets result from expenditures in the governmental funds. These assets are reported in the district-wide statement of net position but are not reported in the fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Fire District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**Capital Assets (Continued)**

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	15-40 years
Firefighting Equipment	5 years
Vehicles	5-10 years

N.J.S.A. 40A:14-84 governs the procedures for the acquisition of property and equipment for Fire Districts and N.J.S.A. 40A:14-85 to 87 governs procedures for the issuance of any debt related to such purchases. In summary, Fire Districts may purchase fire fighting apparatus and equipment and 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 two percent (2%) of the assessed valuation of property, whichever is larger.

**Deferred Revenue** - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

**Accrued Liabilities and Long-Term Obligations** - All payables, accrued liabilities, and long-term obligations are reported in the district-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from the governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available finance resources. Bonds are recognized as a liability on the fund financial statements when due.

**Net Position** - Net position represents the difference between assets and liabilities. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as committed when there are limitations imposed on their use either through the enabling legislation adopted by the Fire District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Fire District applies committed resources when an expense is incurred for purposes for which both committed and unassigned net assets are available.

**Fund Balance** – The Fire District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the Fire District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Fire District's classifications and policies for determining such classifications are as follows:

**Non-spendable** -The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**Fund Balance (Continued)**

**Restricted** - The restricted fund balance classification includes amounts that can be spent only for the specific purposes. Such restrictions or constraints are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

**Committed** - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Fire District's highest level of decision-making authority, which, for the Fire District, is the Board of Commissioners. Such formal action consists of an affirmative vote by the Board of Commissioners, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Commissioners removes or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

**Assigned** - The assigned fund balance classification includes amounts that are constrained by the Fire District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the Board of Commissioners.

**Unassigned** - The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative amount in the unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the Fire District to spend restricted fund balances first. Moreover, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the Fire District to spend fund balances, if appropriate, in the following order: committed, assigned, and then unassigned.

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Board to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 2: Cash and Cash Equivalents**

**Custodial Credit Risk Related to Deposits** – Custodial credit risk is the risk that, in the event of a bank failure, the Fire District's deposits might not be recovered. Although the Fire District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:19-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Fire District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Fire District relative to the happening of a future condition. Such funds are classified as uninsured and collateralized. Of the Fire District's amount on deposit of \$1,086,218, as December 31, 2015, \$250,000 was insured under FDIC and the remaining balance of \$836,218 was collateralized under GUDPA.

**Interest Rate Risk** – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

As of December 31, 2015 the District's cash accounts consisted of:

	<u>2015</u>	<u>2014</u>
Bank of America: Operating	\$ - 0 -	\$ 598,548
Bank of America: Money Market	- 0 -	585,631
TD Bank: Operating	<u>1,086,218</u>	<u>- 0 -</u>
	<u>\$ 1,086,218</u>	<u>\$1,184,179</u>

The cash deposits held at financial institutions are classified as to credit risk by the following three categories described below:

<b><u>Category 1</u></b>	Deposits which are covered by FDIC, or collateralized by securities held by the Fire District or by its agent, in the Fire District's name.	\$ 250,000
<b><u>Category 2</u></b>	Deposits which are collateralized with securities held by the pledging public depository's trust department or agent, in the Fire District's name.	\$ 836,218
<b><u>Category 3</u></b>	Deposits which are not collateralized or insured.	\$ - 0 -

**NOTE 3: Property Tax Levies**

The following is a tabulation of Fire District assessed valuations, tax levies and property tax rates per \$100.00 of assessed valuations for the current and preceding four years:

<u>Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2015	\$ 227,773,680	\$ 638,148	\$ .2802
2014	227,197,358	621,458	.2735
2013	225,877,515	618,321	.2737
2012	229,025,225	608,125	.2655
2011	238,731,997	602,849	.2525

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 4: Capital Assets**

Capital asset activity for the year ended December 31, 2015 was as follows:

	<u>Balance Jan. 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance Dec. 31, 2015</u>
Vehicles/Apparatus	\$ 1,559,223	\$ -	-	\$ 1,559,223
Firefighting Equipment	<u>273,433</u>	<u>-</u>	<u>-</u>	<u>273,433</u>
Total Capital Assets being Depreciated	1,832,656	-	-	1,832,656
Less Accumulated Depreciation:				
Vehicles/Apparatus	1,559,223	-		1,559,223
Firefighting Equipment	<u>223,637</u>	<u>19,932</u>	<u>-</u>	<u>243,569</u>
Total Accumulated Depreciation	1,782,860	19,932	-	1,802,792
Total Capital Assets being Depreciated, net of Accumulated Depreciation	<u>49,796</u>	<u>(19,932)</u>	<u>-</u>	<u>29,864</u>
Capital Assets, net	<u>\$ 49,796</u>	<u>\$ (19,932)</u>	<u>-</u>	<u>\$ 29,864</u>

\* Depreciation expense was charged to governmental functions as follows:

Cost of Operations and Maintenance	\$ 19,932
Cost of Capital Appropriations	<u>-</u>
Total Depreciation Expense	<u>\$ 19,932</u>

**NOTE 5: Long-Term Obligations**

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

	<u>Principal Outstanding Jan. 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Principal Outstanding Dec. 31, 2015</u>	<u>Due Within One Year</u>
Note Payable (I)	\$ 114,000	\$ - 0 -	\$ 114,000	\$ - 0 -	\$ - 0 -
Note Payable (II)	<u>500,000</u>	<u>- 0 -</u>	<u>100,000</u>	<u>400,000</u>	<u>100,000</u>
Total	\$ 614,000	\$ - 0 -	\$ 214,000	\$ 400,000	\$ 100,000

**Bonds Authorized But Not Issued** - As of December 31, 2015, the Fire District had no authorized but not issued bonds.

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 5: Long-Term Obligations (Continued)**

Note (I) – The Fire District entered into an Inter-Local Service Agreement with the Township of East Brunswick in 2009 to purchase a 2009 Pierce Pumper. The terms of the note require the principal repayment of \$570,000 be paid in five annual installments, beginning April 2011. The final payment was made on May 24, 2015 in the amount of \$115,568. This amount included interest paid in the amount of \$1,368 plus the cost of issuance of \$200 per year.

Note (II) – The Fire District entered into another Inter-Local Service Agreement with the Township of East Brunswick in 2014 for the Improvement of the Riva Avenue Firehouse. The amount approved for this agreement was \$2,000,000. The Fire District's first draw was \$500,000 at an interest rate of 0.6% with the first payment due in March, 2015. It was suggested that the first draw be repaid in five years with a principal amount of \$100,000 a year, plus the cost of issuance in the amount of \$200 per year. The following schedule details the required payments:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2016	\$ 100,000	\$ 2,400
2017	\$ 100,000	\$ 1,800
2018	\$ 100,000	\$ 1,200
2019	\$ 100,000	\$ 600

**NOTE 6: Risk Management**

The Fire 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 Fire District maintains commercial insurance coverage for property, liability and surety bonds.

**NOTE 7: Interfund Receivables and Payables**

As of December 31, 2015, no inter-fund receivables or payables existed.

**NOTE 8: Fund Balances**

**COMMITTED**

**Reserved Fund – Subsequent Year's Expenditures** – The Fire District has appropriated and assigned a portion of the committed funds as of the December 31, 2015, \$479,500 will be utilized on the 2016 Budget.

**For Future Capital Outlays** - These funds are committed for future capital expenditures to be made in future years. When the Fire District desires to utilize these funds in their annual budget, a capital resolution must be passed by the Board of Fire Commissioners prior to any expenditure against a capital appropriation. As of December 31, 2015 the balance is \$163,945.

**Firehouse Project** – These funds are committed for a specific purpose pursuant to constraints imposed by formal action of the Fire District's highest level of decision-making authority, which is the Board of Fire Commissioners. As of December 31, 2015 the balance is \$49.

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 8: Fund Balances (Continued)**

**ASSIGNED**

**General Fund – Subsequent Year's Expenditures** – The Fire District has appropriated and assigned a portion of the general fund as of December 31, 2015, \$55,000 will be utilized on the 2016 Fire District Budget.

**UNASSIGNED**

**General Fund** – These funds are unassigned and represent funds that have not been restricted, committed or assigned for a specific purpose. As of December 31, 2015 the balance is \$275,809.

**NOTE 9: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE**

For the year ended December 31, 2015, the Fire District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions", GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures" and GASB issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 34 creates new basic financial statements for reporting the Fire District's financial activities. The financial statements now include district-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type.

The beginning net asset amount for governmental activities reflects the following changes required by GASB Statement No. 34:

Fund Balances January 1, 2015	\$ 1,026,586
Prepaid Expenses	13,250
Capital Assets, net of Accumulated Depreciation	49,796
Long-term Liabilities	<u>(614,000)</u>
Governmental Activities Net Assets, January 1, 2015	<u>\$ 475,632</u>

**NOTE 10: LENGTH OF SERVICE AWARD PROGRAMS**

The Fire District's Length of Service Awards Program ("LOSAP") was created by a Fire District Resolution adopted pursuant to Section 457 (e)(11)(13) of the Internal Revenue Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Township of East Brunswick Fire District No. 3 approved the adoption of the Plan and the first year of eligibility for entrance into the Plan by qualified volunteers was calendar year 2003. The Plan provides tax deferred income benefits to active volunteer firefighters.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Fire District or its creditors.

As required by N.J.A.C. 5:30-14.48, the Fire District must have an annual review of its LOSAP performed in accordance with Statements of Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

## **BUDGETARY COMPARISON SCHEDULES**

## TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3

## BUDGETARY COMPARISON SCHEDULE

## GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2015

	ORIGINAL BUDGET	BUDGET CHANGES/ TRFRS	FINAL BUDGET	2015 ACTUAL	VARIANCE
<b>REVENUES:</b>					
Miscellaneous Anticipated Revenues:					
Interest on Deposits	\$ 500	\$ -	\$ 500	\$ 602	\$ 102
Fund Balance Appropriated	35,000		35,000	35,000	-
Total Miscellaneous Anticipated Revenues	\$ 35,500	\$ -	\$ 35,500	\$ 35,602	\$ 102
Operating Grant Revenue					
Supplemental Fire Services Act	1,889		1,889	1,889	0
Total Revenues and Fund Balance Utilized	\$ 37,389	\$ -	\$ 37,389	\$ 37,491	\$ 102
Amount to be Raised by Taxation to Support the District Budget	534,948		534,948	534,948	0
Total Anticipated Revenues	\$ 572,337	\$ -	\$ 572,337	\$ 572,439	\$ 102

## TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3

## BUDGETARY COMPARISON SCHEDULE

## GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2015

	ORIGINAL BUDGET	BUDGET CHANGES/ TRFRS	FINAL BUDGET	2015 ACTUAL	VARIANCE
<b>EXPENDITURES:</b>					
Operating & Administration:					
Salaries & Wages:					
Commissioners	\$ 9,875	\$ -	\$ 9,875	\$ 9,875	\$ -
Other Expenses:					
Dues & Subscriptions	400		400	300	100
Election Expense	1,400		1,400	1,162	238
Fire Prevention Program	1,000		1,000	-	1,000
Office Expense/Services	9,760		9,760	9,040	720
Total Administration	\$ 22,435	\$ -	\$ 22,435	\$ 20,377	\$ 2,058

(28)

## Cost of Operations and Maintenance:

Other Expenses:					
Actual Expense/Loss Reimbursement	\$ -	\$ -	\$ -	\$ -	\$ -
Advertising	400		400	459	(59)
Equipment Acquisitions	82,990		82,990	72,913	10,077
Supplemental Fire Service Grant	1,889		1,889	1,889	-
Insurance	61,000		61,000	59,758	1,242
Outside Vendor: Vol. Fire Company	190,600		190,600	190,600	-
Physical Exams	8,000		8,000	5,928	2,072
Professional Services	10,123		10,123	10,123	-
Supplies/Fuel	14,000		14,000	6,911	7,089
Training/Education	10,000		10,000	9,104	896
Vehicle/Equip: Repair & Maintenance	54,900		54,900	48,710	6,190
Contingency	21,000		21,000	11,673	9,327
Total Cost of Operations and Maintenance	\$ 454,902	\$ -	\$ 454,902	\$ 418,068	\$ 36,834
Length of Service Award Program	\$ 35,000		\$ 35,000	\$ 35,000	\$ -
Total Operating Appropriations	\$ 512,337	\$ -	\$ 512,337	\$ 473,445	\$ 38,892

See accompanying Accountant's Report and Notes

## TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3

## BUDGETARY COMPARISON SCHEDULE

## GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2015

	ORIGINAL BUDGET	BUDGET CHANGES/ TRFRS	FINAL BUDGET	2015 ACTUAL	VARIANCE
Capital Appropriations:					
Firehouse: Riva Ave Project	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlay	60,000		60,000	60,000	-
Total Capital Appropriations	\$ 60,000	\$ -	\$ 60,000	\$ 60,000	\$ -
Total Expenditures	\$ 572,337	\$ -	\$ 572,337	\$ 533,445	\$ 38,892
Excess of Revenue Over Expenditures	\$ -	\$ -	\$ -	\$ 38,994	\$ 38,994
Other Financing Sources (Uses):					
Miscellaneous Revenue Not Anticipated	\$ -	\$ -	\$ -	\$ 3,141	\$ 3,141
Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ 3,141	\$ 3,141
Excess of Revenues\Other Financing Sources Over Expenditures\Other Financing Uses	\$ -	\$ -	\$ -	\$ 42,135	\$ 42,135
Fund Balances, January 1, 2015				313,422	
Utilization of Fund Balance				(35,000)	
Adjustment to Fund Balance				10,253	
Fund Balances, December 31, 2015				\$ 330,810	

## OTHER SUPPLEMENTARY INFORMATION

## **CAPITAL PROJECTS FUND**

## TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3

## CAPITAL PROJECTS FUND

## BALANCE SHEET

DECEMBER 31, 2015

ASSETS:

Cash	\$ 643,726
Total Assets	<u>\$ 643,726</u>

LIABILITIES AND FUND BALANCES:LIABILITIES:

Total Liabilities	\$ -
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FUND BALANCES:

Firehouse: Riva Ave Project	419,549
Committed for Future Capital Outlay	<u>224,177</u>
Total Fund Balance	<u>\$ 643,726</u>
Total Liabilities and Fund Balances	<u>\$ 643,726</u>

See accompanying Accountant's Report and Notes

## TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3

BUDGETARY COMPARISON SCHEDULE  
CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>ORIGINAL BUDGET</u>	<u>BUDGET CHANGES/ TRFRS</u>	<u>FINAL BUDGET</u>	<u>2015 ACTUAL</u>	<u>VARIANCE</u>
REVENUES:					
Miscellaneous Anticipated Revenues:					
Interest on Deposits	\$ -	\$ -	\$ -	\$ 232	\$ 232
Fund Balance Appropriated	-	-	-	-	-
Total Miscellaneous Anticipated Revenues	\$ -	\$ -	\$ -	\$ 232	\$ 232
EXPENDITURES:					
Capital Appropriations:					
Firehouse: Riva Ave Project	\$ -		\$ -	\$ -	\$ -
Capital Outlay	-	-	-	-	-
Total Capital Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -
Excess of Revenue Over Expenditures	\$ -	\$ -	\$ -	\$ 232	\$ 232
Other Financing Sources (Uses):					
Proceeds from Inter-Local Agrmt	\$ -		\$ -	\$ -	\$ -
Committed for Future Capital Outlay	-	-	-	60,000	(60,000)
Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ 60,000	\$ (60,000)
Excess of Revenues\Other Financing Sources Over Expenditures\Other Financing Uses	\$ -	\$ -	\$ -	\$ 60,232	\$ 60,232
Fund Balances, January 1, 2015				583,494	
Adjustment to Fund Balance					
Fund Balances, December 31, 2015				<u>\$ 643,726</u>	

See accompanying Accountant's Report and Notes

## **LONG TERM DEBT**

## TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3

GENERAL LONG-TERM DEBT ACCOUNT GROUP  
 SCHEDULE OF CHANGES IN LONG-TERM DEBT  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Balance</u> <u>Dec. 31, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>Dec. 31, 2015</u>
Long-Term Debt				
Note Payable: I/L/S/A (I)	\$ 114,000	\$ -	\$ 114,000	\$ -
Note Payable: I/L/S/A (II)	<u>500,000</u>	<u>-</u>	<u>100,000</u>	<u>400,000</u>
	<u>\$ 614,000</u>	<u>\$ -</u>	<u>\$ 214,000</u>	<u>\$ 400,000</u>

See accompanying Accountant's Report and Notes

## TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3

BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015

	ORIGINAL BUDGET	BUDGET CHANGES/ TRFRS	FINAL BUDGET	2015 ACTUAL	VARIANCE
REVENUES:					
Fire District Tax Levy	\$ 103,200	\$ -	\$ 103,200	\$ 103,200	\$ -
EXPENDITURES:					
Principal Payments:					
Note Payable: Inter-Local Agrmt	\$ 100,000	\$ -	\$ 100,000	\$ 100,000	\$ -
Interest Payments:					
Note Payable: Inter-Local Agrmt	3,200		3,200	3,200	-
Total Expenditures	<u>\$ 103,200</u>	<u>\$ -</u>	<u>\$ 103,200</u>	<u>\$ 103,200</u>	<u>\$ -</u>
Excess of Expend. Over Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Other Financing Sources (Uses):					
Designated for Inter-Local Agrmt	<u>\$ -</u>	<u></u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess of Revenues\Other Financing Sources Over Expenditures\Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	\$ -	<u>\$ -</u>
Fund Balances, January 1, 2015				129,670	
Adjustment to Fund Balance				(115,568)	
Fund Balances, December 31, 2015				<u>\$ 14,102</u>	

See accompanying Accountant's Report and Notes

## **SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**TOWNSHIP OF EAST BRUNSWICK  
FIRE DISTRICT NO. 3**

**SCHEDULE OF FINDINGS AND RECOMMENTATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Schedule of Financial Statement Findings**

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

None.

**TOWNSHIP OF EAST BRUNSWICK  
FIRE DISTRICT NO. 3**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND  
RECOMMENDATIONS AS PREPARED BY MANAGEMENT**

Financial Statement Findings

This section identifies the status of prior year findings related to the financial statements and Federal and State awards that are required to be reported in accordance with Government Auditing Standards, OMB Circular A-133 and the State of New Jersey Circular 97-08-OMB.

None.

### APPRECIATION

We express our appreciation for the assistance and courtesies rendered by the Fire District officials during the course of the audit.

Respectfully submitted,

*Solitario & Tierney, CPA, PLLC*

Solitario & Tierney, CPA, PLLC  
Certified Public Accountants