

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT #2

Audit Report

For the Years Ended December 31, 2015 and 2014

BART & BART  
Certified Public Accountants

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**BART & BART CERTIFIED PUBLIC ACCOUNTANTS**

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners  
East Brunswick Township Fire District #2  
Woodbridge Township, NJ 07095

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of the various funds of the East Brunswick Township Fire District #2 (the District), as of and for the years ended December 31, 2015 and 2014, and the related notes to the basic 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 U.S. generally accepted accounting principles; 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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' judgement, 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 opinion.

**Opinion**

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of the various funds of East Brunswick Township Fire District #2 at December 31, 2015 and 2014, and the results of operations for the years then ended, on a basis of accounting described in Note #1.

Board of Fire Commissioners  
East Brunswick Township Fire District #2

**Emphasis of Matter**

Adoption of New Accounting Pronouncement

In the year ended December 31, 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No 68, Accounting and Financial Reporting for Pensions. Our opinion is not modified with respect to this matter.

**Other Matters**

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 2 and 3 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 July 10, 2016, on our consideration of the District'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 and should be considered in assessing the results of our audit.



Bart & Bart, CPAs

July 10, 2016

**BART & BART CERTIFIED PUBLIC ACCOUNTANTS**

**Report on Internal Control over Financial Reporting and on  
Compliance and other matters based on an audit of Financial  
Statement performed in accordance with Government Auditing Standards**

Honorable Chairman and Members of the Board  
East Brunswick Township Fire District #2  
East Brunswick, NJ 08816

We have audited the basic financial statements of the East Brunswick Township Fire District #2 as of and for the year ended December 31, 2015, and have issued our report thereon dated July 10, 2016. 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.

**Internal Control Over Financial Reporting**

In Planning and performing our audit, we considered the East Brunswick Township Fire District #2'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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 East Brunswick Township Fire District #2'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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the East Brunswick Township Fire District #2's board members, management and New Jersey State Department of Community Affairs and is not intended to be and should not be used by anyone other than these specified parties.

  
BART & BART  
Certified Public Accountants

July 10, 2016  
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MANAGEMENT'S  
DISCUSSION AND ANALYSIS

**EAST BRUNSWICK TOWNSHIP FIRE DISTRICT #2**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2014**

As management of East Brunswick Township Fire District #2, we offer readers of the East Brunswick Township Fire District #2 financial statements this narrative overview and analysis of the financial activities of the East Brunswick Township Fire District #2 for the year ended December 31, 2015. The intent of this narrative is to look at the East Brunswick Township Fire District #2's overall financial performance in terms easily understood by the lay person.

**Financial Highlights**

- The assets of the District exceeded its liability at December 31, 2015, by approximately \$7.7 million combined.
- During 2015, on a budgetary basis, the East Brunswick Township Fire District #2 operated at a surplus of approximately \$102,112. The surplus in 2014 was approximately \$33,042.

**Using This Annual Report**

This annual report consists of series of financial statements. East Brunswick Township Fire District #2's basic financial statements are comprised of three components: district-wide financial statements, statements of fiduciary funds and notes to the basic financial statements.

**Reporting on the District as a Whole**

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

The Statement of Net Assets presents information on all the assets and liabilities of East Brunswick Township Fire District #2. The difference between the two is reported as the District's net assets. Significant increases or decreases in the District's net assets can be an indication of the financial health of the District.

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

**EAST BRUNSWICK TOWNSHIP FIRE DISTRICT #2**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED DECEMBER 31, 2013**

**Reporting on the District as a Whole (Continued)**

The district-wide financial statements report on the financial data by function. East Brunswick Township Fire District #2 has two basic functions: activities that are supported by property taxes; and activities supported by other governmental activities. East Brunswick Township Fire District #2 provides firefighter services to the citizens of the township of East Brunswick.

As required by N.J.S.A. 40A:14:78-3, East Brunswick Township Fire District #2 adopts an annual budget which is voted on by the legal voters of the district of the third Saturday in February. Budgetary comparison schedules have been prepared to document compliance with budgetary requirements.

**Notes of Financial Statements**

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

**District-Wide Financial Analysis**

East Brunswick Township Fire District #2's net assets are a useful indicator of the District's financial condition. At the end of 2014, the District's assets exceeded the liabilities by approximately \$7.7 million. The largest portion of East Brunswick Township Fire District #2's net assets (85%) is its investment in capital assets. The District uses these assets to provide fire-fighting services to the community; consequently, these assets are not available for future spending. East Brunswick Township Fire District #2's investment in capital assets is reported net of related debt and accumulated depreciation. Since the capital assets are not available to liquidate the debt, other sources must be utilized for the repayment of the debt.

Statement of Net Assets

**East Brunswick Township Fire District #2**  
**Net Assets**  
**December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Current and other assets	\$ 1,239,639	\$ 1,209,856	\$ 29,783
Capital Assets	4,671,990	4,711,556	(39,566)
General Fixed Assets	<u>6,649,634</u>	<u>6,923,221</u>	<u>(273,587)</u>
Total assets	\$12,561,263	\$12,844,633	(283,370)
Other liabilities	<u>(4,796,216)</u>	<u>(4,908,545)</u>	<u>(112,329)</u>
Net assets	<u>\$ 7,765,047</u>	<u>\$ 7,936,088</u>	<u>\$(171,041)</u>



EAST BRUNSWICK TOWNSHIP FIRE DISTRICT #2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015

**Governmental Activities**

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

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Expenses			
Program expenses			
Administrative expenses	\$ 292,713	\$ 234,915	\$ 57,798
Cost of operations & maintenance	591,971	643,163	(51,192)
Capital appropriations	<u>299,300</u>	<u>302,500</u>	<u>( 3,200)</u>
Total program expenses	\$1,183,984	\$ 1,180,578	\$ 3,406
General Revenues			
Property taxes levied for			
General purposes	\$1,173,601	\$ 1,153,632	\$ 19,969
Interest earned on investments	945	773	172
Miscellaneous Income	<u>275,378</u>	<u>271,829</u>	<u>3,549</u>
Total general revenues	<u>\$1,449,924</u>	<u>\$1,426,234</u>	<u>\$ 23,690</u>

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT #2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015

Property tax revenue constituted 80% of the total governmental activities revenues received by East Brunswick Township Fire District #2 in 2015. In 2014 the property tax revenue constituted 80% of total revenues as well.

**Financial Analysis of the Government Funds**

East Brunswick Township Fire District #2 uses fund accounting to document compliance with finance-related legal requirements.

**Governmental Funds**

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

As of December 31, 2015, the combined balance of the governmental cash funds of the East Brunswick Township Fire District #2 was approximately \$1,542,000. This balance is \$ 33,000 higher than last year's combined governmental funds balance.

**Long-Term Obligations**

East Brunswick Township Fire District #2 issued \$4.1 million in Long-Term Bonds through the Township of East Brunswick to finance the construction of a new firehouse. In 2015, the Board paid \$109,300 in bond interest. The District also has an interlocal service agreement with the Township of East Brunswick. In exchange for the Township purchasing radio systems for the District, the district will repay the Township \$200,000. As of December 31, 2015, the amount due in conjunction with this agreement was \$120,000.

**Economic Factors and Next Years Budget**

In 2015, East Brunswick Township Fire District #2 was able to cover all its appropriations through the fire tax levy and other revenues.

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT #2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015

**Requests for Information**

This financial report is designed to provide a general overview of the East Brunswick Township Fire District #2's finances for all of those with an interest in the district's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Dennis A. DeGraw, Treasurer, East Brunswick Township Fire District #2.

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Board of Fire Commissioners

East Brunswick Township Fire District #2General FundComparative Balance Sheet

<u>ASSETS</u>	<u>2015</u>	<u>2014</u> Restated
Cash	\$ 1,102,055	\$ 1,139,071
Accounts Receivable	<u>5,329</u>	<u>5,329</u>
Total Assets	1,107,384	1,144,400
Deferred Outflow of Resources		
Deferred Amount of Net Pension Liability	<u>132,255</u>	<u>65,456</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 1,239,639</u>	<u>\$ 1,209,856</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Liabilities and Reserves:		
Accounts Payable	36,450	53,911
Net Pension Liability	<u>519,415</u>	<u>408,301</u>
Total Liabilities and Reserves	555,865	462,212
Deferred Inflow of Resources	<u>8,351</u>	<u>24,333</u>
Total Liabilities, Reserves and Deferred Inflows of Resources	<u>\$ 564,216</u>	<u>\$ 486,545</u>
Net Position:		
Reserve for Encumbrances	\$ 90,028	\$ 90,028
Reserved for Uniform Fire Safety Act	348,729	247,012
Unreserved:		
Designated for Subsequent Year's Expenditures	<u>236,676</u>	<u>386,271</u>
Total Net Position	<u>\$ 675,433</u>	<u>\$ 723,311</u>
Total Liabilities and Net Position	<u>\$ 1,239,639</u>	<u>\$ 1,209,856</u>

See accompanying accountant's reports and notes to financial statements.

East Brunswick Township Fire District #2General FundStatement of Revenues, Expenditures and Changes in Fund BalanceFor the Year Ended December 31, 2015With Comparative Actual Amounts for Period Ended December 31, 2014

	2015		Variance Favorable (Unfavorable)	2014
	Budget	Actual		Actual Restated
Revenues and Other Financing Sources:				
Miscellaneous Revenues:				
Uniform Fire Safety Act				
- Annual Registration Fees	\$ 293,650	\$ 250,449	\$ (43,201)	\$ 243,027
- Other Fees, Penalties, Fines, etc.	-	9,810	9,810	17,426
- Interest	-	203	203	153
Supplemental Fire Services Act	11,519	11,519	-	11,519
Grants	-	-	-	-
Equipment Sale	-	-	-	-
Earnings on Investments and Deposits	600	742	142	477
Miscellaneous	-	3,600	3,600	-
Total Miscellaneous Revenues	305,769	276,323	(29,446)	272,602
Fund Balance Utilized	436,379	-	(436,379)	-
District Taxes	1,173,601	1,173,601	-	1,153,632
Total Revenues and Other Financing Sources	\$ 1,915,749	\$ 1,449,924	\$ (465,825)	\$ 1,426,234
Expenditures:				
Current Operating Appropriations	\$ 1,172,599	\$ 884,684	\$ 287,915	\$ 878,108
Appropriations Offset with Revenue:				
Uniform Fire Safety Act	293,650	163,828	129,822	212,584
Capital Appropriations	449,500	299,300	150,200	302,500
Total Expenditures	1,915,749	1,347,812	567,937	1,393,192
Excess of Revenue over Expenditures	-	102,112	102,112	33,042
Less: Fund Balance Utilized	(436,379)	-	436,379	-
Fund Balance, Beginning of Year	723,311	723,311	-	1,194,447
Net Transfer to other Restricted Funds	-	(150,000)	(150,000)	(137,000)
GASB 68 Adjustment	-	-	-	(367,178)
Fund Balance, End of Year	\$ 286,932	\$ 675,423	\$ 388,491	\$ 723,311

See accompanying accountant's reports and notes to financial statements.

East Brunswick Township Fire District #2  
General Fund  
Statement of Expenditures Compared to Budget  
For the Year Ended December 31, 2015

With Comparative Actual Amounts for Period Ended December 31, 2014

	2015		Variance Favorable (Unfavorable)	2014
	Budget	Actual		Actual
<b>ADMINISTRATION:</b>				
Salaries and Wages	\$ 130,000	\$ 156,504	\$ (26,504)	\$ 123,703
Fringe Benefits	109,500	100,834	8,666	83,426
Election	2,500	3,447	(947)	-
Office Expenses	15,000	8,037	6,963	7,866
Professional Services	26,825	21,949	4,876	16,572
Advertising	1,500	1,942	(442)	3,378
<b>Total Administration</b>	<u>\$ 285,325</u>	<u>\$ 292,713</u>	<u>\$ (7,388)</u>	<u>\$ 234,945</u>
<b>COST OF OPERATIONS:</b>				
Fringe Benefits	\$ -	-	-	-
Insurance	105,000	95,588	9,412	93,249
Maintenance and Repairs	279,200	156,056	123,144	185,836
Fire Prevention Program	5,000	2,453	2,547	3,615
Training and Education	14,400	11,073	3,327	13,776
Volunteer Fire Company	165,000	166,680	(1,680)	164,500
Utilities	60,000	52,574	7,426	66,626
Fuel	15,000	6,718	8,282	13,906
Membership	4,000	3,176	824	3,421
Supplemental Fire Services Act	11,519	-	11,519	-
Length of Service Awards Program	45,000	46,766	(1,766)	37,179
Contingent	10,000	-	10,000	-
Wages	100,000	-	100,000	-
Other assets-non bondable	73,155	50,887	22,268	61,055
<b>Total Cost of Operations</b>	<u>887,274</u>	<u>591,971</u>	<u>295,303</u>	<u>643,163</u>
<b>Total Current Operating Exps.</b>	<u>1,172,599</u>	<u>884,684</u>	<u>287,915</u>	<u>878,108</u>
<b>CAPITAL APPROPRIATIONS:</b>				
Reserve for Future Capital Outlays	150,000	-	150,000	-
Debt Service:				
Bond Principal	190,000	190,000	-	190,000
Bond Interest	109,500	109,300	200	112,500
<b>Total Capital Appropriations</b>	<u>449,500</u>	<u>299,300</u>	<u>150,200</u>	<u>302,500</u>
<b>Total Appropriations</b>	<u>\$ 1,622,099</u>	<u>\$ 1,183,984</u>	<u>\$ 438,115</u>	<u>\$ 1,180,608</u>

See accompanying accountant's reports and notes to financial statements.

East Brunswick Township Fire District #2Comparative Balance SheetCapital Projects FundsDecember 31, 2015

<u>ASSETS</u>	<u>2015</u>
Cash and Cash Equivalents	\$ 439,990
Amount to be provided for Payment of Debt	<u>4,232,000</u>
Total Assets	<u>\$4,671,990</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	\$ -
Total Liabilities	<u>\$ -</u>
Fund Balances:	
Designated for Subsequent Year's Expenditures	\$4,232,000
Undesignated - Reserve for Future Capital Outlay	<u>439,990</u>
Total Fund Balances	<u>\$4,671,990</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$4,671,990</u>

See accompanying accountant's reports and notes to financial statements.

East Brunswick Township Fire District #2  
Schedule of Revenues and Expenditures  
Capital Projects Fund

	2015
<b>REVENUES</b>	
Transfers in	\$ 150,000
Interest	434
Total Revenues	\$ 150,434
<b>EXPENDITURES</b>	
Principal payments	\$ 190,000
Total Expenditures	\$ 190,000
Excess (Deficiency) of Revenues Over Expenditures	(39,556)
Fund Balance, Beginning of Year	4,711,556
Fund Balance, End of Year	\$4,671,990

See accompanying accountant's reports and notes to financial statements.



East Brunswick Township Fire District #2General Fixed Assets Account GroupComparative Balance SheetDecember 31, 2015 and 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Land	\$ 545,000	\$ 545,000
Building	6,377,311	6,377,311
Equipment	319,783	319,783
Vehicles	<u>2,589,908</u>	<u>2,612,272</u>
Total Assets	<u>9,832,003</u>	<u>9,854,366</u>
Less Accumulated Depreciation:		
Building	950,053	791,668
Equipment	168,308	114,181
Vehicles	<u>2,064,008</u>	<u>2,025,296</u>
Total Accumulated Depreciation	<u>3,182,369</u>	<u>2,931,145</u>
Total Net Assets	<u>\$6,649,634</u>	<u>\$6,923,221</u>
<u>FUND BALANCE</u>		
Investment in General Fixed Assets	<u>\$6,649,634</u>	<u>\$6,923,221</u>

See accompanying accountant's reports and notes to financial statements.

East Brunswick Township Fire District #2  
General Fixed Assets Account Group  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended December 31, 2015

	2015
<u>Revenues and Other Financing Sources:</u>	
Fixed Assets - net	\$ -
Total Revenues and Other Financing Sources	\$ -
<u>Expenditures:</u>	
Depreciation	\$ 251,223
Sale of Equipment	22,364
Total Expenditures	273,587
Excess of Revenue Over Expenditures	(273,587)
Fund Balance, Beginning of Year	6,923,221
Fund Balance, End of Year	\$ 6,649,634

See accompanying accountant's reports and notes to financial statements.

East Brunswick Township Fire District #2

Notes to Financial Statements

For the Years Ended December 31, 2015 and 2014

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the East Brunswick Township Fire District #2 (the "District") conform to the accounting principles applicable to special districts which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect public funds.

Separate financial statements are provided for the following separate funds:

General Fund - Resources and expenditures for governmental operations of a general nature, including federal and state grant funds, except as otherwise noted.

Capital Fund - Resources and expenditures for the acquisition of general capital facilities, other than those acquired through the general fund, including the status of bonds and notes authorized for said purposes.

General Fixed Assets Account Group - Shows the District's investment in buildings and equipment, net of accumulated depreciation.

The following is a summary of the significant policies:

Basis of Accounting - The modified accrual basis of accounting is followed. Revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the fiscal period. Expenditures are recognized in the period in which the fund liability is incurred, if measurable, except that unmatured interest and principal on general obligation debt are accounted for as expenditures in the year becoming due and payable.

Inventories of Supplies - Purchases of materials and supplies are recognized and recorded as expenditures when they are acquired, regardless of when used.

East Brunswick Township Fire District #2

Notes to Financial Statements

For the Years Ended December 31, 2015 and 2014

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BUDGETS/BUDGETARY CONTROL:

Annual budgets are prepared each year for the operations of the fire district. The budgets are approved by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The budgets are then voted upon by the public, at the annual fire district election held on the third Saturday in February. Budgetary transfers may be made during the last two months of the year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. The governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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 in governmental funds, other than the special revenue fund, are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

The encumbered appropriation District carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

East Brunswick Township Fire District #2

Notes to Financial Statements

For the Year Ended December 31, 2015 and 2014

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All reported capital assets except for land are depreciated. At December 31, 2015, capital assets and the useful lives used for determination of annual depreciation were as follows:

	Balance December 31, 2014	Current Year's Activity		Balance December 31, 2015
		Increase	Decrease	
Depreciable:				
Land	\$ 545,000	\$ -	\$ -	\$ 545,000
Buildings & Improvs.	6,377,311	-	-	6,377,311
Machinery & Equipment	<u>2,932,055</u>	<u>-</u>	<u>22,364</u>	<u>2,909,691</u>
	\$9,854,366	\$ -	\$ 22,364	\$9,832,002
Less: Accumulated Depreciation	<u>2,931,145</u>	<u>251,223</u>	<u>-</u>	<u>3,182,368</u>
	<u>\$ 6,923,221</u>	<u>\$ 251,223</u>	<u>\$ 22,364</u>	<u>\$6,649,634</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$251,223.

Capital Fund - The accounting for expenditures for property, plant and equipment financed by debt authorized or from restricted grant funds is contained in the general capital fund, as is the related debt issued and outstanding. The acquisition and construction cost of such assets, when completed, is reflected in the General Fixed Assets group of accounts.

East Brunswick Township Fire District #2

Notes to Financial Statements

For the Year Ended December 31, 2015 and 2014

Note 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

A. Cash

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund.

The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities that mature or are redeemed within one year. Twenty-five percent of the Fund may be invested in eligible securities that mature within two years provided, however, the arbitrage maturity of all investments in the Fund shall not exceed one year. Collateralization of Fund investments is generally not required.

In addition, by regulation of the Division of Local Government Services, fire districts are allowed to deposit funds in Government Money Market Mutual Funds purchased through state registered brokers/dealers and banks.

In accordance with the provisions of the Governmental Unit Deposit Protection Act of New Jersey, public depositories are required to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal five percent of the average daily balance of public funds or,

If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, The Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

The amount on deposit of the District's cash and cash equivalents at December 31, 2015, is as follows:

Checking Account	\$ 853,551
Money Market	688,494
	<u>\$1,542,045</u>

East Brunswick Township Fire District #2

Notes to Financial Statements

For the Year Ended December 31, 2015 and 2014

Note 3. GENERAL LONG-TERM DEBT

The District has entered into an Interlocal Agreement with the Township of East Brunswick to provide financing for a Radio System

Long-term liability activity for the year ended December 31, 2015 is as follows:

	<u>Balance</u> <u>Jan. 1, 2014</u>	<u>Issued</u>	<u>Retired</u>	<u>Dec. 31, 2015</u>
Interlocal Agreements Payable	\$160,000	\$ -	\$ 40,000	\$120,000

B. Outstanding Debt

At December 31, 2015, interlocal agreements payable consisted of the following issues:

2015 Interlocal Agreement with Township of East Brunswick, variable rates of interest	<u>\$ 120,000</u>
<b>Total</b>	<u>\$ 120,000</u>

The interlocal agreement is a short-term note which is rolled over by the Township of East Brunswick at variable interest rates. Once the note is permanently financed by the Township, the District will have a permanent amortization schedule. In 2015, the District will be required to pay \$40,000 towards this agreement, and \$800 in interest.

During 2013, the Township issued long-term bonds on behalf of the district in the amount of \$4,412,000. The purpose of these bonds was to refinance the balance of the 2009 and 2005 interlocal agreements over a twenty-year period. As a result, the district is now responsible for the following annual payments:

<u>Period Ending</u> <u>December 31,</u>	<u>Revenue Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2014	\$ 150,000	\$ 111,500	\$ 261,500
2015	150,000	108,500	258,500
2016	150,000	105,500	255,500
2017-2021	990,000	474,300	1,464,300
2022-2026	1,250,000	347,100	1,597,100
2027-2031	1,250,000	164,550	1,414,550
2032-2033	472,000	13,750	485,750
	<u>\$4,412,000</u>	<u>\$1,325,200</u>	<u>\$5,737,200</u>

East Brunswick Township Fire District #2

Notes to Financial Statements

For the Year Ended December 31, 2015 and 2014

Note 4. PENSION

Employees participate in the Public Employees' Retirement System of New Jersey (PERS), a contributory defined benefit public employee retirement system that was established by State statute. The System is sponsored and administered by the Division of Pensions and Benefits. The System is considered a cost-sharing, multiple-employer plan. Covered employees are required by statute to contribute a certain percentage of their salary to the Plan. The Division of Pensions bills the District annually for its required contribution.

Following is the total of the District's portion of the PERS net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and the pension expense and expenditures for the fiscal year ended December 31, 2015.

Net Pension Liabilities	\$ 519,495
Deferred Outflow of Resources	132,255
Deferred Inflow of Resources	8,351
Pension Expense	48,224
Contributions Made	19,142

PERS is a cost-sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments and benefits to plan members and their beneficiaries. As a condition of employment, all District full-time employees are required to be members of PERS.

PERS members can apply for a service retirement of age 60 if enrolled before November 2, 2008 (Tier 1 or Tier 2), or at age 62 if enrolled on or after November 2, 2008, but before June 28, 2011 (Tier 3 or Tier 4), or at age 65 if enrolled on or after June 28, 2011 (Tier 5) regardless of the amount of service credit earned.

**Plan Description and Benefits**

Tier 1, 2 or 3: Annual Benefit = Years of Service Credit, divided by 55, times Final Average Salary (average salary of the last three years of credited service or the highest three fiscal years of credited service, whichever provides the higher benefit). Tier 4 or Tier 5: Annual Benefit = Years of Service Credit, divided by 60, times Final Average Salary (average salary of the last five years of credited service or the highest five fiscal years of credited service, whichever provides the higher benefit). Pension benefits fully vest on reaching 10 years of service. Vested employees who were enrolled prior to July 1, 2007, and who have established 25 years or more of creditable service may retire without penalty at or after age 55 and receive full retirement benefits. PERS also provides death and disability benefits. Benefits are established by State statute.



East Brunswick Township Fire District #2

Notes to Financial Statements

For the Year Ended December 31, 2015 and 2014

Note 4. PENSION (continued)

**Contributions**

Employee's contribution rates to PERS governed by P.L. 2011, C. 78, effective June 28, 2011, were increased from 5.5% of salary to 6.5% of salary, and a phase-in to 7.5% of salary over a seven year period. Covered District employees are required by PERS to contribute 7.06% of their salaries. State statute requires the District to contribute an actuarially determined rate which includes the normal cost and the unfunded accrued liability. The amount of the District's contribution is certified each year by PERS on the recommendation of the actuary, who makes an annual actuarial valuation. The valuation is based on a determination of the financial condition of the retirement system. It includes the computation of the present dollar value of benefits payable to former and present members and the present dollar value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal, former service, salary and interest. In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries.

**Assumptions**

The total pension liability for December 31, 2015, measurement date was determined by an actuarial valuation as of June 30, 2015. The actuarial valuation used an inflation rate of 3.04%, projected salary increases from 2012 to 2021 of 2.15% to 4.40% based on age and thereafter 3.15% to 5.40% based on age and an investment rate of return of 7.90%.

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

The following presents the District's proportionate share of the PERS net pension liability calculated using the discount rate of 4.90% as of December 31, 2015, as well as what the PERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the assumed rate.

**Sensitivity of the District's Proportionate Share of the PERS Local Share Net Pension Liability to Changes in the Discount Rate**

	<u>At 1% decrease (3.90%)</u>	<u>At current discount rate (4.90%)</u>	<u>At 1% increase (5.90%)</u>
2015	<u>\$ 645,680</u>	<u>\$ 519,495</u>	<u>\$ 415,596</u>

East Brunswick Township Fire District #2

Notes to Financial Statements

For the Year Ended December 31, 2015 and 2014

Note 4. PENSION (continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension.**

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups.

To facilitate the separate (sub) actuarial valuations, The Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amount by employer. The allocation percentages for each group as of June 30, 2015 and 2014, are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2015 and 2014, respectively.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collected deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentage presented in the PERS schedule of employer allocations and applied to amounts presented in the PERS schedule of pension amounts by employer are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2015 and 2014. The District's proportionate share of the collective net pension liability as of December 31, 2015 was 0.0023%.

At December 31, 2015, the amount recognized as the District's proportionate share of the PERS net pension liability was \$519,495. For the year ended December 31, 2015, the District recognized PERS pension expense of \$48,224. At December 31, 2015, deferred outflows of resources and deferred inflows of resources related to the PERS pension are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 12,391	\$ -
Change of Assumptions	55,781	-
Net Difference Between Projected and Actual Investment Earnings	-	8,351
Net Change in Proportions	<u>64,083</u>	<u>-</u>
Total	<u>\$ 132,255</u>	<u>\$ 8,851</u>

East Brunswick Township Fire District #2

Notes to Financial Statements

For the Year Ended December 31, 2015 and 2014

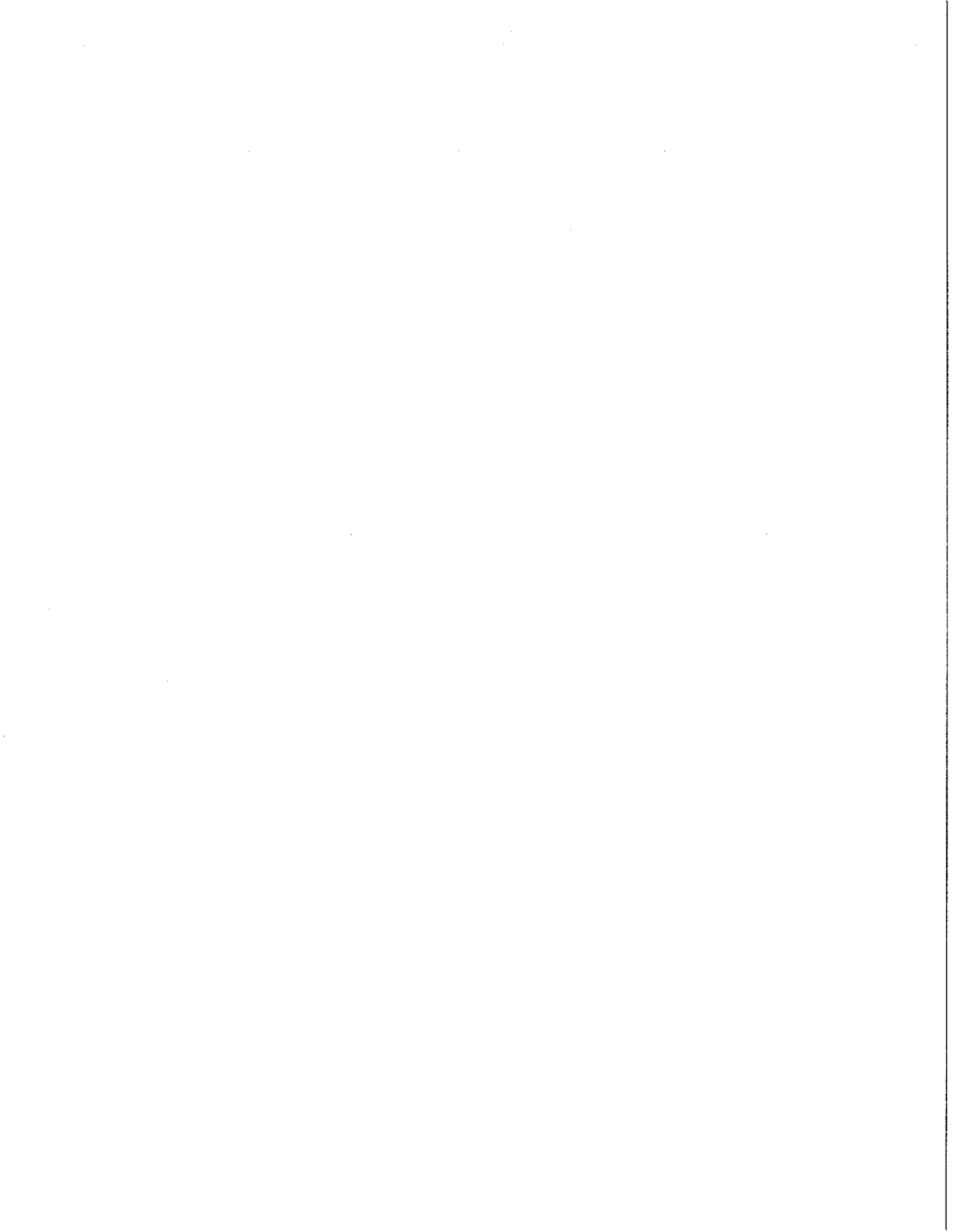
Note 4. PENSION (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources to PERS pension will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Total</u>
2016	\$ 13,767
2017	13,767
2018	13,767
2019	13,767
Thereafter	<u>68,336</u>
	<u>\$ 123,904</u>

Note 5. LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)

The Fire District offers its employees a Length of Service Awards Program in accordance with Internal Revenue Code Section 457, which has been approved by the Director of the Division of Local Government Services. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.



East Brunswick Township Fire District #2  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Uniform Fire Safety Act  
For the Year Ended December 31, 2014

REVENUES:

Annual Registration Fees	\$ 250,449
Other Revenues	9,810
Interest	<u>153</u>
Total Revenues	\$ <u>260,462</u>

EXPENDITURES:

Salary and Wages	119,685
Fringe Benefits	7,949
Other Expenses	<u>31,111</u>
Total Expenditures	\$ <u>158,745</u>

Excess Revenues Over Expenditures	\$ 101,717
Fund Balance, Beginning of Year	<u>247,012</u>
Fund Balance, End of Year	\$ <u>348,729</u>

East Brunswick Township Fire District #2

Roster of Officials

December 31, 2015

Board of Fire Commissioners

Wayne T. Lyons, Sr. - Chairman

Paul A. Colon - Vice Chairman

Dennis A. DeGraw, Clerk

William Grande - Assistant Clerk/Treasurer

Other Officials

Richard M. Braslow, Board Attorney