

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT #2

Audit Report

For the Years Ended December 31, 2013 and 2012

BART & BART
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
East Brunswick Township Fire District #2
East Brunswick, NJ 08816

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, 2013 and 2012, 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. As described in Note #1, East Brunswick Township Fire District #2 prepares its financial statements on a modified accrual basis of accounting that demonstrates compliance with accounting principles and practices as described by the Division of Local Government Services Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 the East Brunswick Township Fire District #2 at December 31, 2013 and 2012, and the results of operations for the years then ended, on a basis of accounting described in Note #1.

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Pg. 1

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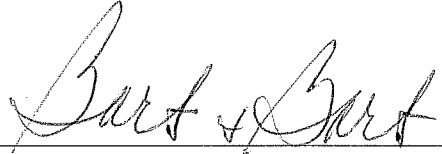
Other Matters

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 9, 2014, 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 9, 2014

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, 2013, and have issued our report thereon dated July 9, 2014. 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 9, 2014

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MANAGEMENT'S
DISCUSSION AND ANALYSIS

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

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, 2013. 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, 2013, by approximately \$12.78 million combined.
- During 2013, on a budgetary basis, the East Brunswick Township Fire District #2 operated at a surplus of approximately \$75,277. The surplus in 2012 was approximately \$143,332.

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 2011, the District's assets exceeded the liabilities by approximately \$9.03 million. The largest portion of East Brunswick Township Fire District #2's net assets (90%) 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, 2013 and 2012

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Current and other assets	\$ 1,493,380	\$ 1,203,261	\$ 290,119
Capital Assets	4,640,076	5,161,031	(520,955)
General Fixed Assets	<u>6,953,467</u>	<u>7,182,388</u>	<u>(228,921)</u>
Total assets	\$13,086,923	\$13,546,680	(459,757)
Other liabilities	<u>(4,486,100)</u>	<u>(4,911,313)</u>	<u>425,213</u>
Net assets	<u>\$ 8,600,823</u>	<u>\$ 8,635,367</u>	<u>\$ 34,544</u>

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

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>2013</u>	<u>2012</u>	<u>Change</u>
Expenses			
Program expenses			
Administrative expenses	\$ 218,831	\$ 166,788	\$ 52,043
Cost of operations & maintenance	549,151	603,825	(54,674)
Capital appropriations	<u>51,642</u>	<u>260,911</u>	<u>(209,269)</u>
Total program expenses	\$ 819,624	\$1,031,524	\$(211,900)
General Revenues			
Property taxes levied for			
General purposes	\$ 907,087	\$1,109,259	\$(202,172)
Interest earned on investments	776	1,286	(510)
Miscellaneous Income	<u>275,605</u>	<u>288,761</u>	<u>(13,156)</u>
Total general revenues	<u>\$1,183,468</u>	<u>\$1,399,306</u>	<u>\$(215,838)</u>

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

Property tax revenue constituted 76% of the total governmental activities revenues received by East Brunswick Township Fire District #2 in 2013. In 2012 the property tax revenue constituted 79% 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, 2013, the combined balance of the governmental cash funds of the East Brunswick Township Fire District #2 was approximately \$1,493,380. This balance is \$390,285 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. The agreements are payable through 2033. In 2013, the Board paid \$51,647 in bond interest.

Economic Factors and Next Years Budget

In 2013, 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, 2013

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 Alan Weissman, Treasurer, East Brunswick Township Fire District #2.

Board of Fire Commissioners

East Brunswick Township Fire District #2General FundComparative Balance Sheet

<u>ASSETS</u>	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Cash	\$ 1,264,504	\$ 853,871
Other Receivables	4,043	2,747
Tax Levy Receivable	-	346,643
Total Assets	<u>\$ 1,268,547</u>	<u>\$ 1,203,261</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Liabilities and Reserves:		
Accounts Payable	\$ 74,100	\$ 84,091
Total Liabilities	<u>\$ 74,100</u>	<u>\$ 84,091</u>
 Fund Balance:		
Reserve for Encumbrances	\$ 90,028	\$ 90,028
Reserved for Uniform Fire Safety Act	198,990	234,749
Unreserved:		
Designated for Subsequent Year's Expenditures	<u>905,429</u>	<u>794,393</u>
Total Fund Balance	<u>\$ 1,194,447</u>	<u>\$ 1,119,170</u>
Total Liabilities and Fund Balance	<u>\$ 1,268,547</u>	<u>\$ 1,203,261</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, 2013With Comparative Actual Amounts for Period Ended December 31, 2012

	2013		Variance Favorable (Unfavorable)	2012
	Budget	Actual		Actual
Revenues and Other Financing Sources:				
Miscellaneous Revenues:				
Uniform Fire Safety Act				
- Annual Registration Fees	\$ 267,281	\$ 239,272	\$ (28,009)	\$ 239,498
- Other Fees, Penalties, Fines, etc.	30,969	13,295	(17,674)	3,182
- Interest	-	250	250	853
Supplemental Fire Services Act Grants	11,519	23,038	11,519	-
Equipment Sale	-	-	-	-
Earnings on Investments and Deposits	1,100	526	(574)	433
Miscellaneous	-	-	-	-
Total Miscellaneous Revenues	310,869	276,381	(34,488)	293,229
Fund Balance Utilized	325,140	-	(325,140)	-
District Taxes	907,087	907,087	-	1,109,259
Total Revenues and Other Financing Sources	<u>\$ 1,543,096</u>	<u>\$ 1,183,468</u>	<u>\$ (359,628)</u>	<u>\$ 1,402,488</u>
Expenditures:				
Current Operating Appropriations	\$ 1,095,049	\$ 767,982	\$ 327,067	\$ 770,613
Appropriations Offset with Revenue:				
Uniform Fire Safety Act	298,250	288,567	9,683	224,432
Capital Appropriations	149,797	51,642	98,155	260,911
Total Expenditures	1,543,096	1,108,191	434,905	1,255,956
Excess of Revenue over Expenditures	-	75,277	75,277	146,532
Less: Fund Balance Utilized	(325,140)	-	325,140	-
Fund Balance, Beginning of Year	1,119,170	1,119,170	-	1,121,688
Net Transfer to other Restricted Funds	-	-	-	(149,050)
Fund Balance, End of Year	<u>\$ 794,030</u>	<u>\$ 1,194,447</u>	<u>\$ 400,417</u>	<u>\$ 1,119,170</u>

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, 2013
With Comparative Actual Amounts for Period Ended December 31, 2012

	2013		Variance Favorable (Unfavorable)	2012
	Budget	Actual		Actual
ADMINISTRATION:				
Salaries and Wages	\$ 120,400	\$ 112,731	\$ 7,709	\$ 100,833
Fringe Benefits	73,650	77,598	(3,948)	33,297
Election	4,000	1,600	2,400	1,619
Office Expenses	15,000	11,712	3,288	9,607
Professional Services	20,500	14,175	6,325	17,831
Advertising	-	1,015	(1,015)	3,601
Total Administration	<u>\$ 233,590</u>	<u>\$ 218,831</u>	<u>\$ 14,759</u>	<u>\$ 166,788</u>
COST OF OPERATIONS:				
Fringe Benefits	\$ 30,000	-	30,000	-
Insurance	82,590	67,081	15,509	91,405
Maintenance and Repairs	216,940	148,381	68,559	171,310
Fire Prevention Program	5,000	3,136	1,864	2,855
Training and Education	14,010	12,260	1,750	16,590
Volunteer Fire Company	163,000	163,000	-	157,500
Utilities	55,500	62,000	(6,500)	50,460
Fuel	18,000	19,056	(1,056)	15,483
Membership	2,500	5,568	(3,068)	2,114
Supplemental Fire Services Act	11,519	-	11,519	-
Length of Service Awards Program	40,000	27,327	12,673	30,734
Contingent	10,000	-	10,000	-
Wages	150,000	-	150,000	-
Other assets-non bondable	62,400	41,342	21,058	65,374
Total Cost of Operations	<u>861,459</u>	<u>549,151</u>	<u>312,308</u>	<u>603,825</u>
Total Current Operating Exps.	<u>1,095,049</u>	<u>767,982</u>	<u>327,067</u>	<u>770,613</u>
CAPITAL APPROPRIATIONS:				
Reserve for Future Capital Outlays	100,000	-	100,000	-
Debt Service:				
Bond Principal	43,000	-	43,000	225,000
Bond Interest	6,797	51,642	(44,845)	35,911
Total Capital Appropriations	<u>149,797</u>	<u>51,642</u>	<u>98,155</u>	<u>260,911</u>
Total Appropriations	<u>\$ 1,244,846</u>	<u>\$ 819,624</u>	<u>\$ 425,222</u>	<u>\$ 1,031,524</u>

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

East Brunswick Township Fire District #2Comparative Balance SheetCapital Projects FundsDecember 31, 2013 and 2012

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Cash and Cash Equivalents	\$ 228,876	\$ 249,224
Amount to be provided for Payment of Debt	<u>4,412,000</u>	<u>4,911,807</u>
Total Assets	<u>\$4,640,876</u>	<u>\$5,161,031</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:	\$ -	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:		
Designated for Subsequent Year's Expenditures	\$4,412,000	\$4,911,807
Undesignated - Reserve for Future Capital Outlay	<u>228,876</u>	<u>249,224</u>
Total Fund Balances	<u>\$4,640,876</u>	<u>\$5,161,031</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$4,640,876</u>	 <u>\$5,161,031</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

	2013
REVENUES	
Interest	\$ 250
Total Revenues	\$ 250
EXPENDITURES	
Payment on Interlocal Agreements	-
Total Expenditures	\$ -
Excess (Deficiency) of Revenues Over Expenditures	250
Fund Balance, Beginning of Year	4,640,626
Fund Balance, End of Year	\$4,640,876

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

East Brunswick Township Fire District #2General Fixed Assets Account GroupComparative Balance SheetDecember 31, 2013 and 2012

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Land	\$ 545,000	\$ 545,000
Building	6,377,311	6,377,311
Equipment	119,783	119,783
Vehicles	2,591,295	2,591,295
Construction in Progress	-	-
Total Assets	<u>9,633,389</u>	<u>9,633,389</u>
Less Accumulated Depreciation:		
Building	633,333	474,998
Equipment	82,370	75,217
Vehicles	<u>1,964,219</u>	<u>1,900,786</u>
Total Accumulated Depreciation	<u>2,679,922</u>	<u>2,451,001</u>
Total Net Assets	<u>\$6,953,467</u>	<u>\$7,182,388</u>
<u>FUND BALANCE</u>		
Investment in General Fixed Assets	<u>\$6,953,467</u>	<u>\$7,182,388</u>

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

East Brunswick Township Fire District #2General Fixed Assets Account GroupStatement of Revenues, Expenditures and Changes in Fund BalanceFor the Year Ended December 31, 2013

	<u>2013</u>
<u>Revenues and Other Financing Sources:</u>	
Fixed Assets - net	\$ -
Total Revenues and Other Financing Sources	<u>\$ -</u>
<u>Expenditures:</u>	
Depreciation	\$ 228,921
Total Expenditures	<u>228,921</u>
Excess of Revenue Over Expenditures	(228,921)
Fund Balance, Beginning of Year	<u>7,182,388</u>
Fund Balance, End of Year	<u>\$ 6,953,467</u>

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, 2013 and 2012

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, 2013 and 2012

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 authority 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, 2013 and 2012

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets - Property, plant and equipment purchased by the current fund and the general capital fund are recorded as expenditures at the time of purchase. The historical cost, or if such cost is not practically determinable, the estimated historical cost of such fixed assets is reflected in the General Fixed Assets group of accounts.

The District adopted Governmental Accounting Standards Board Statement No. 34. This standard recommends, among other things, the District to recognize depreciation on all assets contained in the general fund asset account group. The historical cost of the fund assets are shown net of all accumulated depreciation as investments in general fixed assets.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	40
Fire Trucks	25
Other Vehicles	15
Equipment	10

Depreciation expense for the years ending December 31, 2013 and 2012 was \$228,921 and \$228,921 respectively.

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, 2013 and 2012

Note 2. GENERAL LONG-TERM DEBT

The District has entered into Interlocal Agreements with the Township of East Brunswick to provide financing for fire station renovations, the acquisition of an aerial truck and property acquisition and building expansion. The District makes annual payments to the Township.

Long-term liability activity for the year ended December 31, 2012 is as follows:

	<u>Balance</u>			
	<u>Jan. 1, 2012</u>	<u>Issued</u>	<u>Retired</u>	<u>Dec. 31, 2012</u>
Interlocal Agreements Payable	\$5,136,807	\$ -	\$225,000	\$4,911,807

B. Outstanding Debt

At December 31, 2012, interlocal agreements payable consisted of the following issues:

2009 Interlocal Agreement with Township of East Brunswick, variable rates of interest	\$2,425,000
2005 Interlocal Agreement with Township of East Brunswick, Variable Rates of Interest	<u>2,486,807</u>
	<u>\$4,911,807</u>

The interlocal agreements are short-term notes which are rolled over by the Township of East Brunswick at variable interest rates. Once the notes are permanently financed by the Township, the District will have a permanent amortization schedule. As of December 31, 2012, the District had the option to pay \$150,000, minimum principal on the 2005 agreement and in 2012, will have the option to pay \$75,000 minimum principal on the 2009 agreement.

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>	
2013	\$ -	\$ 56,500	\$ 56,500
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	<u>472,000</u>	<u>13,750</u>	<u>485,750</u>
	<u>\$4,412,000</u>	<u>\$1,381,700</u>	<u>\$5,793,700</u>

East Brunswick Township Fire District #2

Notes to Financial Statements

For the Year Ended December 31, 2013 and 2012

Note 3. 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.

Note 4. 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.

All amounts of compensation deferred under the Program and all income attributed to those amounts are the exclusive property of the Fire District, subject to the claims of its general creditors. Participants' rights under the Program are equal to those of a general creditor of the Fire District in an amount equal to the fair market value of the deferred account for each participant. It is unlikely that the Fire District would use Program assets to satisfy claims of the general creditors in the future.

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, 2013

REVENUES:

Annual Registration Fees	\$ 239,272
Other Revenues	13,285
Interest	<u>251</u>
Total Revenues	<u>\$ 252,808</u>

EXPENDITURES:

Salary and Wages	166,641
Fringe Benefits	24,414
Other Expenses	<u>97,512</u>
Total Expenditures	<u>\$ 288,567</u>

Excess Revenues Over Expenditures	\$ (35,759)
Fund Balance, Beginning of Year	<u>234,749</u>
Fund Balance, End of Year	<u>\$ 198,990</u>

East Brunswick Township Fire District #2

Roster of Officials

December 31, 2013

Board of Fire Commissioners

Wayne T. Lyons, Sr. - Chairman

Paul A. Colon - vice Chairman

Alan Weissman - Treasurer

Dennis A. DeGraw, Clerk

William Grande - Assistant Clerk/Treasurer

Other Officials

Richard M. Braslow, Board Attorney