

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 2**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

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

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 2**

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## INDEPENDENT AUDITORS' REPORT

Board of Fire Commissioners  
Middle Township Fire District #2  
Rio Grande, New Jersey

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of each major fund and the aggregate remaining fund information of the Middle Township Fire District #2, County of Cape May, State of New Jersey, as of and for the fiscal year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Middle Township Fire District #2, County of Cape May, State of New Jersey, as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 7 and 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2014 on our consideration of the Middle Township Fire District #2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Middle Township Fire District #2's internal control over financial reporting and compliance.

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

April 9, 2014  
Medford, New Jersey



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Fire Commissioners  
Middle Township Fire District #2  
Rio Grande, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities of each major fund, and the aggregate remaining fund information of Middle Township Fire District #2, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Middle Township Fire District #2's basic financial statements, and have issued our report thereon dated April 9, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Middle Township Fire District #2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Middle Township Fire District #2's internal control. Accordingly, we do not express an opinion on the effectiveness of Middle Township Fire District #2's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying General Comments section as Finding No. 2013-01 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Middle Township Fire District #2's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Local Finance Board and the Division of Local Government Services, Department of Community Affairs State of New Jersey as Finding 2013-01 described in the accompanying General Comments section.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

April 9, 2014  
Medford, New Jersey

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### UNAUDITED

The District provides fire protection services to Middle Township. The District is a separate government body known as a Special District and is governed by an elected board of Commissioners. Fire districts are governed by *N.J.S.A.40A:14-70* et al. and organized as a taxing authority charged with the responsibility of providing resources necessary to provide fire-fighting services to the residents within its territorial location. This section of the District's financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended.

#### **Description of the Basic Financial Statements**

The financial statements consist of the following parts: Management's discussion and analysis; the basic financial statements consisting of government-wide financial statements, and fund financial statements (governmental and fiduciary); notes to the financial statements; and required supplementary information.

The basic government-wide and fund financial statements present the financial results on different methods of accounting. Included in the financial statements are reconciliations that explain the difference between the two methods.

Government-wide financial statements are prepared on the accrual basis of accounting and economic resources focus. The required financial statements are: Statement of Net Position (Exhibit A-1) and Statement of Activities (Exhibit A-2). The Statement of Net Position reports all assets and liabilities, both financial and capital, and short-term and long-term of the District. The Statement of Activities reports all revenue and expenses during the year, regardless of when cash is received or paid. This form of reporting is new this fiscal year and will continue in the future.

Governmental funds financial statements are prepared on the modified accrual basis of accounting and current financial resources focus. This the traditional form for our financial statements. The required financial statements are: Balance Sheet (Exhibit B-1) and Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit B-2). The Balance Sheet shows only assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during or soon after the end of the year.

Reconciliation of the Governmental Fund Balance Sheet to the Government-wide Statement of Net Position (Exhibit B-1) explains the differences between the two balance sheets. Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities, traces the change in fund balances to the change in net position report in Exhibit B-2A.

#### **Governmental Funds**

Governmental Funds are used to account for essentially the same functions reported as governmental activities as the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term in-flows and out-flow of spendable resources, as well as on balances of spendable resources available at the end of the year.

The District maintains two individual governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and LEA fund, all of which are considered major funds.

**Fiduciary Fund**

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

The District’s fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

**Expendable Trust Fund**

An Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent. Expendable Trust Funds include: Length of Service Award Program

**Condensed Government-wide Financial Data**

|                                                                               | <b>2013</b>        | <b>2012</b>        |
|-------------------------------------------------------------------------------|--------------------|--------------------|
| <b>ASSETS:</b>                                                                |                    |                    |
| Unrestricted Current Assets                                                   | \$1,011,371        | \$ 728,749         |
| Fixed Assets, Net of Accumulated Depreciation                                 | <u>581,341</u>     | <u>907,129</u>     |
| Total Assets                                                                  | <u>1,592,712</u>   | <u>1,635,878</u>   |
| <b>LIABILITIES:</b>                                                           |                    |                    |
| Current Liabilities                                                           | <u>4,425</u>       | <u>8,820</u>       |
| Total Liabilities                                                             | <u>4,425</u>       | <u>8,820</u>       |
| <b>NET POSITION:</b>                                                          |                    |                    |
| Invested in Capital Assets, Net of Accumulated<br>Depreciation & Related Debt | 581,341            | 907,129            |
| Restricted Net Position                                                       | 681,817            | 493,857            |
| Unrestricted Net Position                                                     | <u>325,129</u>     | <u>226,072</u>     |
| Total Net Position                                                            | <u>1,588,297</u>   | <u>1,627,058</u>   |
| Total Liabilities and Net Position                                            | <u>\$1,592,712</u> | <u>\$1,635,878</u> |



|                                                                  | 2013               | 2012               |
|------------------------------------------------------------------|--------------------|--------------------|
| Expenditures Governmental Activities,<br>Net of Program Revenues | \$(604,186)        | \$(608,989)        |
| General Revenues:                                                |                    |                    |
| Property Taxes                                                   | 536,800            | 536,800            |
| Interest Income                                                  | 1,241              | 1,417              |
| Other Income                                                     | <u>27,374</u>      | <u>8,962</u>       |
| Total General Revenues                                           | <u>565,415</u>     | <u>663,602</u>     |
| Change in Net Position                                           | <u>\$ (38,771)</u> | <u>\$ (61,810)</u> |

### **Financial Analysis of the District as a Whole**

The District's net position decreased by \$38,771 for the fiscal year ended December 31, 2013, or approximately 2.38%. Of the \$1,588,297 in net position, \$581,341 is invested in capital assets (net of accumulated depreciation and related debt).

### **Financial Analysis of the District's Funds**

Governmental fund balances increased by \$287,017 from the prior year primarily due to the District's reduction in appropriations.

### **Budgetary Highlights**

Total General Fund revenues were \$83,002 or 59.62% more than budgeted due to revenue from an excess revenues from permits and LEA Rebates as well as forfeitures from LOSAP reserves for disqualified volunteers.

Total General Fund expenditures were \$332,785 or 46.27% less than the amount budgeted. This was primarily due to reservation of fund balance for future capital needs.

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

The District's main source of revenue is property taxes. The District expects property tax revenues to remain flat for the fiscal year ending December 31, 2014.

Budgeted expenditures are expected to remain stable.

### **Contacting the District's Financial Management**

This financial statement is designed to provide a general overview of the District's finances. If you have questions about this financial statement or need additional financial information, contact the District's office at P.O. Box 151, Rio Grande, New Jersey 08242.

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2013**  
**(With Comparative Totals for December 31, 2012)**

| ASSETS                                                                        | GOVERNMENTAL ACTIVITIES |                           |
|-------------------------------------------------------------------------------|-------------------------|---------------------------|
|                                                                               | 2013                    | (Memorandum Only)<br>2012 |
| Current Assets:                                                               |                         |                           |
| Cash                                                                          | \$ 1,011,371            | \$ 728,749                |
| Total Current Assets                                                          | 1,011,371               | 728,749                   |
| Property Plant & Equipment (See Note 6):                                      |                         |                           |
| Property, Plant & Equipment (Net)                                             | 581,341                 | 907,129                   |
| Total Assets                                                                  | 1,592,712               | 1,635,878                 |
| LIABILITIES                                                                   |                         |                           |
| Current Liabilities:                                                          |                         |                           |
| Accounts Payable                                                              | 4,425                   | 8,820                     |
| Total Liabilities                                                             | 4,425                   | 8,820                     |
| NET POSITION                                                                  |                         |                           |
| Invested in Capital Assets, Net of Accumulated<br>Depreciation & Related Debt | 581,341                 | 907,129                   |
| Restricted Net Position:                                                      |                         |                           |
| Capital Outlay                                                                | 470,000                 | 270,000                   |
| New Truck & Equipment                                                         | 182,864                 | 182,864                   |
| Disability Fund                                                               | 21,479                  | 21,477                    |
| LEA                                                                           | 7,474                   | 19,516                    |
| Unrestricted Net Position:                                                    |                         |                           |
| Unrestricted                                                                  | 294,629                 | 195,572                   |
| Unrestricted - Dedicated for Subsequent Year                                  | 30,500                  | 30,500                    |
| Total Net Position                                                            | \$ 1,588,287            | \$ 1,627,058              |

The accompanying notes are an integral part of these financial statements.

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(With Comparative Totals for December 31, 2012)**

| FUNCTIONS/PROGRAMS                   | EXPENSES  | CHARGES FOR<br>SERVICES | GOVERNMENTAL ACTIVITIES |              |
|--------------------------------------|-----------|-------------------------|-------------------------|--------------|
|                                      |           |                         | 2013                    | 2012         |
|                                      |           |                         | (Memorandum Only)       |              |
| Governmental Activities:             |           |                         |                         |              |
| Fire Protection:                     |           |                         |                         |              |
| Administration                       | \$ 22,652 | \$ -                    | \$ (22,652)             | \$ (25,458)  |
| Cost of Providing Services           | 310,133   | 54,387                  | (255,746)               | (245,295)    |
| Depreciation                         | 325,788   | -                       | (325,788)               | (338,236)    |
| Total Governmental Activities        | 658,573   | 54,387                  | (604,186)               | (608,989)    |
| General Revenues:                    |           |                         |                         |              |
| District Tax                         |           |                         | 536,800                 | 536,800      |
| Interest on Investments              |           |                         | 1,241                   | 1,417        |
| Other                                |           |                         | 27,374                  | 8,962        |
| Total General Revenues               |           |                         | 565,415                 | 547,179      |
| Changes in Net Position              |           |                         | (38,771)                | (61,810)     |
| Net Position - Beginning of the Year |           |                         | 1,627,058               | 1,688,868    |
| Net Position - End of the Year       |           |                         | \$ 1,588,287            | \$ 1,627,058 |

The accompanying notes are an integral part of these financial statements.

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 2**  
**GOVERNMENTAL FUND**  
**BALANCE SHEET**  
**DECEMBER 31, 2013**  
**(With Comparative Totals for December 31, 2012)**

|                                   | TOTALS          |                  |                  |
|-----------------------------------|-----------------|------------------|------------------|
|                                   | GENERAL<br>FUND | DECEMBER<br>2013 | DECEMBER<br>2012 |
| (Memorandum Only)                 |                 |                  |                  |
| Assets:                           |                 |                  |                  |
| Cash & Investments                | \$ 1,011,371    | \$ 1,011,371     | \$ 728,749       |
| Total Assets                      | \$ 1,011,371    | \$ 1,011,371     | \$ 728,749       |
| Liabilities & Fund Balances:      |                 |                  |                  |
| Liabilities:                      |                 |                  |                  |
| Accounts Payable                  | \$ 4,425        | \$ 4,425         | \$ 8,820         |
| Total Liabilities                 | 4,425           | 4,425            | 8,820            |
| Fund Balances:                    |                 |                  |                  |
| Assigned - Designated for         |                 |                  |                  |
| Subsequent Year                   | 30,500          | 30,500           | 30,500           |
| Restricted for:                   |                 | -                | -                |
| Capital Outlay                    | 470,000         | 470,000          | 270,000          |
| New Truck & Equipment             | 182,864         | 182,864          | 182,864          |
| Disability Fund                   | 21,479          | 21,479           | 21,477           |
| LEA                               | 7,474           | 7,474            | 19,516           |
| Unassigned                        | 294,629         | 294,629          | 195,572          |
| Total Fund Balances               | 1,006,946       | 1,006,946        | 719,929          |
| Total Liabilities & Fund Balances | \$ 1,011,371    |                  |                  |

Amounts reported for governmental activities in the statement of net position (A-1) are different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported as assets in the governmental funds.

|                                         |              |              |
|-----------------------------------------|--------------|--------------|
| Total Historical Cost of Capital Assets | 2,697,795    | 2,682,235    |
| Less: Accumulated Depreciation          | (2,116,454)  | (1,775,106)  |
| Net Position (Exhibit A-2)              | \$ 1,588,287 | \$ 1,627,058 |

The accompanying notes are an integral part of these financial statements.

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(With Comparative Totals for December 31, 2012)**

|                                                                                                                    | GENERAL<br>FUND | TOTALS           |                                       |
|--------------------------------------------------------------------------------------------------------------------|-----------------|------------------|---------------------------------------|
|                                                                                                                    |                 | DECEMBER<br>2013 | (Memorandum Only)<br>DECEMBER<br>2012 |
| Miscellaneous Revenues:                                                                                            |                 |                  |                                       |
| Interest on Investments & Deposits                                                                                 | \$ 1,241        | \$ 1,241         | \$ 1,417                              |
| Annual Registration Fees                                                                                           | 40,670          | 40,670           | 64,631                                |
| Penalties & Fines                                                                                                  | 13,717          | 13,717           | 15,570                                |
| Other                                                                                                              | 27,374          | 27,374           | 8,962                                 |
| Total Miscellaneous Revenues                                                                                       | 83,002          | 83,002           | 90,580                                |
| Total Revenues                                                                                                     | 83,002          | 83,002           | 90,580                                |
| Amount to be Raised by Taxation to Support<br>the District Budget                                                  | 536,800         | 536,800          | 536,800                               |
| Total Anticipated Revenues                                                                                         | 619,802         | 619,802          | 627,380                               |
| Expenditures:                                                                                                      |                 |                  |                                       |
| Administration                                                                                                     | 22,652          | 22,652           | 25,458                                |
| Cost of Operations                                                                                                 | 281,533         | 281,533          | 341,151                               |
| Length of Service Award Program                                                                                    | 28,600          | 28,600           | 28,600                                |
| Total Expenditures                                                                                                 | 332,785         | 332,785          | 395,209                               |
| Excess/(Deficiency) of Revenues Over/<br>(Under) Expenditures                                                      | 287,017         | 287,017          | 232,171                               |
| Excess/(Deficiency) of Revenues & Other<br>Financing Sources Over/(Under)<br>Expenditures and Other Financing Uses | 287,017         | 287,017          | 232,171                               |
| Beginning Fund Balance                                                                                             | 719,929         | 719,929          | 487,758                               |
| Ending Fund Balance                                                                                                | \$ 1,006,946    | \$ 1,006,946     | \$ 719,929                            |

The accompanying notes are an integral part of these financial statements.

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 2**  
**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, 2013**

Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ 287,017

Amounts reported for governmental activities in the statement of activities (Exhibit A-2) are different as follows:

Government funds report Capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense during the year.

|                                         |    |                  |                  |
|-----------------------------------------|----|------------------|------------------|
| Add: Capital Additions                  | \$ | 15,560           |                  |
| Less: Current Year Depreciation Expense |    | <u>(341,348)</u> | <u>(325,788)</u> |

Change in Net Position of Governmental Activities (Exhibit A-2) \$ (38,771)

The accompanying notes are an integral part of these financial statements.

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 2**  
**FIDUCIARY FUND**  
**STATEMENT OF NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(With Comparative Totals for December 31, 2012)**

| ASSETS                               | LENGTH OF<br>SERVICE<br>AWARD<br>PROGRAM | TOTALS           |                  |
|--------------------------------------|------------------------------------------|------------------|------------------|
|                                      |                                          | DECEMBER<br>2013 | DECEMBER<br>2012 |
| Restricted Assets:                   |                                          |                  |                  |
| Investments                          | \$ 274,924                               | \$ 274,924       | \$ 248,631       |
| Total Restricted Assets              | 274,924                                  | 274,924          | 248,631          |
| Total Assets                         | 274,924                                  | 274,924          | 248,631          |
| NET POSITION                         |                                          |                  |                  |
| LOSAP Reserves Invested On Behalf of |                                          |                  |                  |
| Participating Volunteers             | 274,924                                  | 274,924          | 248,631          |
| Total Net Position                   | \$ 274,924                               | \$ 274,924       | \$ 248,631       |

The accompanying notes are an integral part of these financial statements.

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 2**  
**FIDUCIARY FUND**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(With Comparative Totals for December 31, 2012)**

|                                             | LENGTH OF<br>SERVICE<br>AWARD<br>PROGRAM | TOTALS           |                                       |
|---------------------------------------------|------------------------------------------|------------------|---------------------------------------|
|                                             |                                          | DECEMBER<br>2013 | (Memorandum Only)<br>DECEMBER<br>2012 |
| Contributions:                              |                                          |                  |                                       |
| General Fund Budget Appropriation           | \$ 28,600                                | \$ 28,600        | \$ 28,600                             |
| Total Contributions                         | 28,600                                   | 28,600           | 28,600                                |
| Investment Earnings                         |                                          |                  |                                       |
| Appreciated Value on Restricted Investments | 46,762                                   | 46,762           | 19,540                                |
| Total Investment Earnings                   | 46,762                                   | 46,762           | 19,540                                |
| Total Additions                             | 75,362                                   | 75,362           | 48,140                                |
| Expenditures:                               |                                          |                  |                                       |
| Investment Fees on Restricted Investments   | 1,852                                    | 1,852            | 850                                   |
| Withdrawal of Investments by Participants   | 21,413                                   | 21,413           | -                                     |
| Forefeitures                                | 25,804                                   | 25,804           | -                                     |
| Total Expenditures                          | 49,069                                   | 49,069           | 850                                   |
| Change in Net Position                      | 26,293                                   | 26,293           | 47,290                                |
| Net Position, January 1                     | 248,631                                  | 248,631          | 201,341                               |
| Net Position, December 31                   | \$ 274,924                               | \$ 274,924       | \$ 248,631                            |

The accompanying notes are an integral part of these financial statements.



**MIDDLE TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 1. General Information**

**Description of Reporting Entity**

Fire District No.2 of the Township of Middle is a political subdivision of the Township of Middle, Cape May County, New Jersey. It was formed 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. are organized as a taxing authority charge with the responsibility of providing the resources necessary to provide fire-fighting services to the residents within its territorial location.

Middle Township Fire District No. 2 is not a component unit of any other financial reporting entity nor does the Fire District have any component units to be presented in accordance with Governmental Accounting Standards Board Statement No. 14.

**District Officials**

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

| <b>Officials</b>                  | <b>Term Expires<br/>March</b> |
|-----------------------------------|-------------------------------|
| Salvatore DeSimone – Chairman     | 2016                          |
| Connie Johnson – Vice Chairman    | 2014                          |
| Jean Zimmerman – Secretary        | 2014                          |
| Kirby Stiltner, Sr.– Commissioner | 2016                          |
| Robert Zimmerman – Treasurer      | 2016                          |

**Accounting Records**

The official accounting records of the District are maintained in the office of Middle Township Fire District No. 2.

**Minutes**

Minutes were recorded for meetings and contained approvals for disbursements.

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 2. Significant Accounting Policies**

**Change in Accounting Principles** – During the year ended December 31, 2013, the District maintained their records in accordance with Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.

Statement No. 34 establishes certain reporting requirements that are designed to make governmental annual reports more comprehensive. Statement No. 34 also requires that management’s discussion and analysis, an overview to the Group’s financial activities, be presented before the financial statements are required supplementary information.

**A. Basis of Accounting and Measurement Focus** – The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts, which include its assets, liabilities, fund equities, revenues and expenses or expenditures. The District uses a chart of accounts based on the uniform accounting system prescribed by the State Controller.

**B. Financial Statements**

**Government-Wide Financial Statements**

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

The Districts’ Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental activities for the District.

The basic financial statements are presented on a economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the Districts’ assets and liabilities, including capital assets, and long-term liabilities are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

**Governmental Fund Financial Statements**

The District’s Government Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance for all major governmental funds and non-major funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net assets presented in the Government-Wide financial statements.

All governmental funds are accounted for on a spending or current financial resources measurement focus

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 2. Significant Accounting Policies (continued):**

and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year end) are recognized when due. Expenditures are recorded in the accounting period in which the related fund liability is incurred. Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the different measurement focus and basis of accounting.

Accordingly, the Fire District accounts for its financial transactions through the use of the following funds and account groups when applicable:

**Governmental Funds:**

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

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

**Capital Projects Fund** – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities such as 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 resources that will be used to service general long-term debt.

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

**Budgets and Budgetary Accounting**

The Fire District must adopt an annual budget in accordance with *N.J.S.A. 40A:14-78* 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 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.

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 2. Significant Accounting Policies (continued):**

Amendments may be made to the Fire District budget in accordance with *N.J.S.A.40A:4-78.3*. 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 financial statements.

**Encumbrances** – Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances, other than in the special revenue fund, are reported as reservations of fund balances at year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

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

The Governmental Unit Deposit Protection Act, P.L. 1970, Chapter 236, was passed to afford protection against bankruptcy or default by a depository. C.17:9-42 provides that no governmental unit shall deposit funds in a public depository unless such funds are secured in accordance with this act. C-17:9-44 provides that every public depository having public funds on deposit shall, as security for such deposits, maintain eligible collateral having a market value at least equal to either (1) 5% of the average daily balance of collected public funds on deposit during the 6 month period ending on the next preceding valuation date (June 30 or December 31) or (2) at the election of depository, at least equal to 5% of the average balance of collected public funds on deposit on the first, eighth, fifteenth, and twenty-second days of each month in the 6 month period ending on the next preceding valuation date (June 30 or December 31). No public depository shall be required to maintain any eligible collateral pursuant to this act as security for any deposit or deposits of any governmental unit to the extent such deposits are insured by F.D.I.C. or F.S.L.I.C. or any other U.S. agency which insures public depository funds.

No public depository shall at any time receive and hold on deposit for any period in excess of 15 days public funds of a governmental unit(s) which, in the aggregate, exceed 75% of the capital funds of the depository, unless such depository shall, in addition to the security required to be maintained under the paragraph above, secure such express by eligible collateral with a market value at least equal to 100% of such excess.

**Inventories and Prepaid Expenses** – Inventories and prepaid expenses, which benefit future periods, are recorded as an expenditure during the year of purchase.

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 2. Significant Accounting Policies (continued):**

**Debt Limitation** – *N.J.S.A.40A:14-84* governs procedures for the issuance of any debt related to such purchases. In summary, Fire Districts may purchase fire fighting apparatus 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 2 percent of the assessed valuation of property, whichever is larger.

**Fire District Taxes** – Upon the proper certification to the assessor of the municipality in which the Fire District is located, the assessor shall assess the amount of taxes to be raised in support of the Fire District's budget in the same manner as all other municipal taxes. The collector or treasurer or municipality shall then pay over to the treasurer or custodian of funds of the Fire District the taxes assessed in accordance with the following schedule: on or before April 1, an amount equaling 21.25% of all moneys assessed; on or before July 1, an amount equaling 22.5% of all moneys assessed; on or before

October 1, an amount equaling 25% of all moneys assessed; and on or before December 31, an amount equaling the difference between the total of all moneys so assessed and the total amount of moneys previously paid over.

**Capital Assets** – Capital Assets, which include land, building, improvements, and equipment, are reported in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. The District has set capitalization thresholds for reporting capital assets of \$2,000.

Depreciation is recorded on the straight-line method over the useful lives of the assets as follows:

|                          |          |
|--------------------------|----------|
| Station and Improvements | 40 Years |
| Equipment                | 10 Years |
| Mobile Equipment         | 10 Years |

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

**Fund Equity** – In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Middle Township Fire District No. 2 classifies governmental fund balances as follows:

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

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 2  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**Note 2. Significant Accounting Policies (continued):**

**Fund Equity (continued):**

- Unassigned – includes balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds

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

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

**Unrealized Gains and Losses** – Governmental Accounting Standards Board (GASB) has established GASB-31, which requires public agencies to report the financial effect of all unrealized gains and losses on invested funds. As of December 31, 2013 the unrealized gains for the District were not considered to be material to the financial statements taken as a whole, and accordingly, has not been reflected in the financial statements.

**Subsequent Events** – Fire District No. 2 of the Township of Middle has evaluated subsequent events occurring after December 31, 2013 through the date of April 9, 2014, which is the date the financial statements were available to be issued.

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

**Note 3. Cash and Cash Equivalents**

| <b>Type</b>                                            | <b>Carrying Value</b> |
|--------------------------------------------------------|-----------------------|
| <b>Deposits:</b>                                       |                       |
| Demand Deposits                                        | <u>\$1,011,371</u>    |
| Total Deposits                                         | <u>\$1,011,371</u>    |
| <b>Reconciliation to Governmental Fund Statements:</b> |                       |
| Governmental Funds                                     | <u>\$1,011,371</u>    |
| Total                                                  | <u>\$1,011,371</u>    |

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 3. Cash and Cash Equivalents (continued):**

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2013, the District's bank balance of \$1,016,644 was insured or collateralized as follows:

|                                                      |                    |
|------------------------------------------------------|--------------------|
| Insured                                              | \$ 873,230         |
| Collateralized in the District's Name<br>Under GUDPA | <u>143,414</u>     |
| Total                                                | <u>\$1,016,644</u> |

**Note 4. Investments**

**A. Custodial Credit Risk**

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

**B. Investment Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates that will adversely affect the fire value of an investment. The Fire District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at December 31, 2013, are provided in the above schedule.

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

**C. Investment Credit Risk**

The Fire District has no investment policy that limits its investment choices other than the limitation of state law as follows:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 2  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**Note 4. Investments (continued):**

- Government money market mutual funds;
- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Fire District or bonds or other obligations of the local unit or units within which the Fire District is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Fire District;
- Local Government investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or

Agreements for the repurchase of fully collateralized securities.

**Investment**

|                          |                  |
|--------------------------|------------------|
| LOSAP Investment Account | <u>\$274,924</u> |
|--------------------------|------------------|

**Note 5. Property Tax Levies**

Following is a tabulation of Fire District assessed valuation, tax levies and property tax rates per \$100.00 of assessed valuations for the current year:

| Year | Assessed<br>Valuations | Total<br>Tax Levy | Property<br>Tax Rates |
|------|------------------------|-------------------|-----------------------|
| 2013 | \$604,608,214          | \$536,800         | \$.089                |
| 2012 | 648,908,997            | 536,800           | .084                  |
| 2011 | 671,010,200            | 540,500           | .080                  |



**MIDDLE TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**Note 6. Changes in Fixed Assets**

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

|                          | <b>Balance<br/>December 31,<br/>2012</b> | <b>Additions</b>    | <b>Deletions</b> | <b>Balance<br/>December 31,<br/>2013</b> |
|--------------------------|------------------------------------------|---------------------|------------------|------------------------------------------|
| Truck                    | \$1,486,580                              |                     | \$ -             | \$1,486,580                              |
| Equipment                | <u>1,195,655</u>                         | <u>\$ 15,560</u>    |                  | <u>1,211,215</u>                         |
| Subtotal                 | <u>2,682,235</u>                         | <u>\$ 15,560</u>    | <u>\$ -</u>      | <u>\$2,697,795</u>                       |
| Less:                    |                                          |                     |                  |                                          |
| Accumulated Depreciation | <u>(1,775,106)</u>                       | <u>\$ (341,348)</u> |                  | <u>(2,116,454)</u>                       |
| Total                    | <u>\$ 907,129</u>                        | <u>\$ (341,348)</u> | <u>\$ -</u>      | <u>\$ 581,341</u>                        |

**Note 7. LOSAP Program**

The LOSAP Program, more commonly known as the Length of Service Award Program was put into effect on January 19, 1998 by Governor Whitman. The LOSAP Program is a voluntary system established to provide tax-deferred income benefits to active volunteer members of an emergency service organization. The tax-deferred income benefits for emergency service volunteers come from contributions made solely by the governing body of the Fire District. For 2013, the District contributed \$28,600 into the LOSAP Program. The market value of the investment as of December 31, 2013 was \$274,924.

**Note 8. Risk Management**

The District is exposed to various risks of loss relation to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years. Fire District No. 2 of the Township of Middle is insured with an Accident & Sickness Policy in addition to being covered by the Atlantic County Municipal Joint Insurance Fund.

**Note 10. Fund Balance**

**General Fund** – Of the \$1,006,946 General Fund fund balance at December 31, 2013, \$30,500 has been assigned for subsequent year’s expenditures, \$681,817 is restricted and \$294,629 is unassigned.

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 2  
BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|                                                                                                    | FINAL<br>BUDGET   | ADJUSTED<br>FINAL<br>BUDGET | ACTUAL              | VARIANCE<br>FAVORABLE/<br>(UNFAVORABLE) |
|----------------------------------------------------------------------------------------------------|-------------------|-----------------------------|---------------------|-----------------------------------------|
| Miscellaneous Revenues:                                                                            |                   |                             |                     |                                         |
| Interest on Investments & Deposits                                                                 | \$ -              | -                           | 1,241               | \$ 1,241                                |
| Annual Registration Fees                                                                           | 30,000            | 30,000                      | 40,670              | 10,670                                  |
| Penalties & Fines                                                                                  | 22,000            | 22,000                      | 13,717              | (8,283)                                 |
| Other                                                                                              | -                 | -                           | 27,374              | 27,374                                  |
| Total Miscellaneous Revenues Anticipated                                                           | <u>52,000</u>     | <u>52,000</u>               | <u>83,002</u>       | <u>31,002</u>                           |
| Amount to be Raised by Taxation to<br>Support the District Budget                                  | <u>536,800</u>    | <u>536,800</u>              | <u>536,800</u>      | <u>-</u>                                |
| Total Revenues                                                                                     | <u>588,800</u>    | <u>588,800</u>              | <u>619,802</u>      | <u>31,002</u>                           |
| <b>EXPENDITURES</b>                                                                                |                   |                             |                     |                                         |
| Operating Appropriations:                                                                          |                   |                             |                     |                                         |
| Administration:                                                                                    |                   |                             |                     |                                         |
| Salaries and Wages                                                                                 | 16,000            | 16,000                      | 10,600              | 5,400                                   |
| Professional Services                                                                              | 10,000            | 10,000                      | 9,175               | 825                                     |
| Advertisements                                                                                     | 300               | 300                         | 219                 | 81                                      |
| Elections                                                                                          | 1,000             | 1,000                       | 655                 | 345                                     |
| Office Expenses                                                                                    | 2,500             | 2,500                       | 2,003               | 497                                     |
| Total Administration                                                                               | <u>29,800</u>     | <u>29,800</u>               | <u>22,652</u>       | <u>7,148</u>                            |
| Cost of Operations:                                                                                |                   |                             |                     |                                         |
| Insurance                                                                                          | 45,000            | 45,000                      | 35,641              | 9,359                                   |
| Other Operating Materials                                                                          | 100,500           | 100,500                     | 23,034              | 77,466                                  |
| Fire Hydrant Rentals or Services                                                                   | 55,000            | 55,000                      | 50,353              | 4,647                                   |
| Supplies                                                                                           | 2,000             | 2,000                       | 1,400               | 600                                     |
| Training & Education                                                                               | 2,500             | 2,500                       | 7,022               | (4,522)                                 |
| Travel Expenses                                                                                    | 500               | 500                         | -                   | 500                                     |
| Gas & Oil                                                                                          | 10,000            | 10,000                      | 9,012               | 988                                     |
| Utilities                                                                                          | 35,000            | 35,000                      | 32,258              | 2,742                                   |
| Maintenance & Repairs                                                                              | 40,000            | 40,000                      | 51,455              | (11,455)                                |
| Medical Costs                                                                                      | 10,000            | 10,000                      | 4,920               | 5,080                                   |
| LEA Expenses                                                                                       | 57,000            | 57,000                      | 66,438              | (9,438)                                 |
| Total Cost of Operations                                                                           | <u>357,500</u>    | <u>357,500</u>              | <u>281,533</u>      | <u>75,967</u>                           |
| Length of Service Award Program (LOSAP) -<br>Contribution (P.L. 1997, c388) Annual<br>Contribution | <u>32,000</u>     | <u>32,000</u>               | <u>28,600</u>       | <u>3,400</u>                            |
| Total Length of Service Award Program<br>(LOSAP) - Contribution (P.L. 1997, c388)                  | <u>32,000</u>     | <u>32,000</u>               | <u>28,600</u>       | <u>3,400</u>                            |
| Capital Outlay:                                                                                    |                   |                             |                     |                                         |
| Reserve for Future Capital Outlays                                                                 | <u>200,000</u>    | <u>200,000</u>              | <u>-</u>            | <u>200,000</u>                          |
| Total Capital Outlay                                                                               | <u>200,000</u>    | <u>200,000</u>              | <u>-</u>            | <u>200,000</u>                          |
| Total Expenditures                                                                                 | <u>619,300</u>    | <u>619,300</u>              | <u>332,785</u>      | <u>286,515</u>                          |
| Excess/(Deficiency) of Revenues Over/<br>(Under) Expenditures                                      | (30,500)          | (30,500)                    | 287,017             | 317,517                                 |
| Fund Balances, January 1                                                                           | <u>719,929</u>    | <u>719,929</u>              | <u>719,929</u>      |                                         |
| Fund Balances, December 31                                                                         | <u>\$ 689,429</u> | <u>\$ 689,429</u>           | <u>\$ 1,006,946</u> | <u>\$ 317,517</u>                       |



Board of Fire Commissioners  
Middle Township Fire District No. 2  
Rio Grande, New Jersey 08242

We have audited the basic financial statements of the Middle Township Fire District No. 2 in the County of Cape May for the year ended December 31, 2013. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

### GENERAL COMMENTS

#### **Contracts and Agreements Required to be advertised by (N.J.S.A.40A:11-4)**

*N.J.S.A.40A:11-4* - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500 except by contract or agreement.

It is pointed out that the Board of Fire Commissioners has the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

The minutes indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.40A:11-5*.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

#### **Contracts and Agreements Requiring Solicitation of Quotations**

The examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$2,625 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

**Examination of Bills**

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate.

**Fixed Assets****\*Finding No. 2013-01:**

The District does not maintain a detailed fixed assets ledger as required by the Division of Local Government Services.

**Recommendation:**

That the District have an appraisal of all capital assets of the District to comply with requirements of the Division of Local Government Services and provide calculations to comply with requirements of the Government Accounting Standards Board.

**Management Response:**

The District agrees with this finding and will correct it accordingly.

**Follow-up of Prior Year Findings**

In accordance with Government Auditing Standards, our procedures included a review of all prior year findings. Corrective action was taken on all prior year findings except with those marked above with an asterisk (\*).

**Acknowledgment**

We received the complete cooperation of all the staff of the Middle Township Fire District No. 2 and we greatly appreciate the courtesies extended to the members of the audit team.

The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should you have any questions concerning our comments or recommendations, or should you desire any assistance in implementing our recommendations, please call me.

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

Medford Office  
April 9, 2014