

**FIRE DISTRICT NO. 2  
OF THE TOWNSHIP OF MIDDLE**

**Financial Statements**

**For the year ended December 31, 2014**

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF MIDDLE**  
**Financial Statements**  
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## INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners  
Fire District No. 2 of the Township of Middle:

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

We have audited the accompanying financial statements of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 2 of the Township of Middle, County of Cape May, State of New Jersey, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 2 of the Township of Middle, County of Cape May, State of New Jersey, as of December 31, 2014, 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 5-7 and 29 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 Matters***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fire District No. 2 of the Township of Middle's basic financial statements. The accompanying comparative totals for December 31, 2013 are presented for purposes of additional analysis and are not a required part of the financial statements. The comparative totals 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 27, 2015 on our consideration of the Fire District No. 2 of the Township of Middle'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.

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

April 27, 2015  
Toms River, New Jersey



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

Board of Fire Commissioners  
Fire District No. 2 of the Township of Middle:

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 Fire District No. 2 of the Township of Middle, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Fire District No. 2 of the Township of Middle’s basic financial statements, and have issued our report thereon dated April 27, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Fire District No. 2 of the Township of Middle'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 Fire District No. 2 of the Township of Middle’s internal control. Accordingly, we do not express an opinion on the effectiveness of Fire District No. 2 of the Township of Middle’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying general comments and recommendations, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the general comments and recommendations to be significant deficiencies as findings 2014-01 and 2014-02.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Fire District No. 2 of the Township of Middle'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 a instances 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 by the Division of Local Government Services, Department of Community Affairs State of New Jersey and which are described in the comments and recommendations as items 2014-01 and 2014-02.

## **Fire District No. 2 of the Township of Middle's Response to Findings**

Fire District No. 2 of the Township of Middle's response to the findings identified in our audit is described in the accompanying comments and recommendation section. Fire District No. 2 of the Township of Middle's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 27, 2015  
Toms River, 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>2014</b>	<b>2013</b>
<b>ASSETS:</b>		
Unrestricted Current Assets	\$1,170,808	\$1,011,371
Fixed Assets, Net of Accumulated Depreciation	<u>429,903</u>	<u>581,341</u>
Total Assets	<u>1,600,711</u>	<u>1,592,712</u>
<b>LIABILITIES:</b>		
Current Liabilities	<u>11,677</u>	<u>4,425</u>
Total Liabilities	<u>11,677</u>	<u>4,425</u>
<b>NET POSITION:</b>		
Net Investment in Capital Assets	429,903	581,341
Restricted Net Position	805,554	681,817
Unrestricted Net Position	<u>353,577</u>	<u>325,129</u>
Total Net Position	<u>1,589,034</u>	<u>1,588,297</u>
Total Liabilities and Net Position	<u>\$1,600,711</u>	<u>\$1,592,712</u>



	<b>2014</b>	<b>2013</b>
Expenditures Governmental Activities, Net of Program Revenues	\$(557,219)	\$(604,186)
General Revenues:		
Property Taxes	536,800	536,800
Interest Income	2,414	1,241
Other Income	<u>18,752</u>	<u>27,374</u>
Total General Revenues	<u>557,966</u>	<u>565,415</u>
Change in Net Position	<u>\$ 747</u>	<u>\$ (38,771)</u>

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

The District's net position increased by \$747 for the fiscal year ended December 31, 2014, or approximately .05%. Of the \$1,589,034 in net position, \$429,903 is invested in capital assets.

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

Governmental fund balances increased by \$152,185 from the prior year primarily due to the District's reduction in appropriations.

### **Budgetary Highlights**

Total revenues were \$21,899 or 3.72% more than budgeted due to revenue from an excess revenues from registration fees as well as forfeitures from LOSAP reserves for disqualified volunteers.

Total expenditures were \$160,786 or 25.96% 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, 2015.

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.

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF MIDDLE**  
**Statement of Net Position**  
**December 31, 2014**  
**(With comparative totals for December 31, 2013)**

	<u>Governmental Activities</u>	
	<u>December 31,</u> <u>2014</u>	<u>(Memorandum Only)</u> <u>December 31,</u> <u>2013</u>
Assets:		
Current assets:		
Cash	\$ 1,169,308	\$ 1,011,371
Accounts receivable	1,500	-
Total current assets	<u>1,170,808</u>	<u>1,011,371</u>
Capital assets (net of depreciation)	<u>429,903</u>	<u>581,341</u>
Total assets	<u>1,600,711</u>	<u>1,592,712</u>
Liabilities:		
Current liabilities:		
Accounts payable	<u>11,677</u>	<u>4,425</u>
Total current liabilities	<u>11,677</u>	<u>4,425</u>
Net position:		
Net investment in capital assets	429,903	581,341
Restricted net position:		
Capital	14,075	652,864
Subsequent year's expenditures - capital	770,000	-
Disability fund	21,479	21,479
LEA	-	7,474
Unrestricted net position:		
Undesignated	316,577	294,629
Undesignated - designated for subsequent year	<u>37,000</u>	<u>30,500</u>
Total net position	<u>\$ 1,589,034</u>	<u>\$ 1,588,287</u>

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF MIDDLE**  
**Statement of Activities**  
**For the year ended December 31, 2014**  
**(With comparative totals for the year ended December 31, 2013)**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities</u>	
			<u>December 31, 2014</u>	<u>(Memorandum Only) December 31, 2013</u>
Government activities:				
Operation appropriations:				
Administration	\$ (32,733)	\$ -	\$ (32,733)	\$ (22,652)
Costs of operations and maintenance	(519,112)	-	(519,112)	(515,096)
Operating appropriations offset with revenues	<u>(58,107)</u>	<u>52,733</u>	<u>(5,374)</u>	<u>(66,438)</u>
Total government activities	<u>(609,952)</u>	<u>52,733</u>	<u>(557,219)</u>	<u>(604,186)</u>
General revenues:				
Miscellaneous revenue			21,166	28,615
Amount raised by taxation			<u>536,800</u>	<u>536,800</u>
Total general revenues			<u>557,966</u>	<u>565,415</u>
Changes in net position			747	(38,771)
Net position, January 1			<u>1,588,287</u>	<u>1,627,058</u>
Net position, December 31			<u>\$ 1,589,034</u>	<u>\$ 1,588,287</u>

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF MIDDLE**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2014**  
(With comparative totals for December 31, 2013)

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>	
			<u>(Memorandum Only)</u>	
			<u>December 31, 2014</u>	<u>December 31, 2013</u>
<b>Assets:</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 1,169,308	\$ -	\$ 1,169,308	\$ 1,011,371
Accounts receivable	1,500	-	1,500	-
Other receivables	-	784,075	784,075	-
Total assets	<u>\$ 1,170,808</u>	<u>\$ 784,075</u>	<u>\$ 1,954,883</u>	<u>\$ 1,011,371</u>
<b>Liabilities, equity and other credits:</b>				
Accounts payable	\$ 11,677	\$ -	\$ 11,677	\$ 4,425
Other payables	784,075	-	784,075	-
Total liabilities	<u>795,752</u>	<u>-</u>	<u>795,752</u>	<u>4,425</u>
<b>Fund balances:</b>				
<b>Restricted for:</b>				
Capital	-	14,075	14,075	652,864
Subsequent year's expenditures - capital	-	770,000	770,000	-
<b>Assigned for:</b>				
Subsequent year's expenditures	37,000	-	37,000	30,500
Disability fund	21,479	-	21,479	21,479
LEA	-	-	-	7,474
<b>Unassigned, reported in:</b>				
General fund	316,577	-	316,577	294,629
Total fund balance	<u>375,056</u>	<u>784,075</u>	<u>1,159,131</u>	<u>1,006,946</u>
Total liabilities and fund balance	<u>\$ 1,170,808</u>	<u>\$ 784,075</u>		
Amounts reported for governmental activities in the statement of net assets (A-1) are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,766,585 and the accumulated depreciation is \$2,336,682.				
			<u>429,903</u>	<u>581,341</u>
Net assets of governmental activities			<u>\$ 1,589,034</u>	<u>\$ 1,588,287</u>

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF MIDDLE**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the year ended December 31, 2014**  
**(With comparative totals for the year ended December 31, 2013)**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>	
			<u>(Memorandum Only)</u>	
			<u>December 31, 2014</u>	<u>December 31, 2013</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 2,414	\$ -	\$ 2,414	\$ 1,241
Other revenue	18,752	-	18,752	27,374
Total miscellaneous revenues	21,166	-	21,166	28,615
Miscellaneous revenues offset with appropriations:				
Uniform Fire Safety Act revenues:				
Annual registration fee	39,300	-	39,300	40,670
Penalties and fines	13,433	-	13,433	13,717
Total Uniform Fire Safety Act revenues	52,733	-	52,733	54,387
Total miscellaneous revenues offset with appropriations	52,733	-	52,733	54,387
Total revenues	73,899	-	73,899	83,002
Amount raised by taxation to support district budget	336,800	200,000	536,800	536,800
Total anticipated revenues	410,699	200,000	610,699	619,802
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	14,000	-	14,000	10,600
Other expenditures:				
Professional fees	9,809	-	9,809	9,175
Elections	676	-	676	655
Office expenses	7,033	-	7,033	2,003
Advertising	1,215	-	1,215	219
Total administration	32,733	-	32,733	22,652
Cost of operations and maintenance:				
Other expenditures:				
Insurance	53,553	-	53,553	35,641
Supplies	3,213	-	3,213	1,400
Training and education	1,909	-	1,909	7,022
Travel expense	535	-	535	-
Utilities	36,867	-	36,867	32,258
Other rentals	50,854	-	50,854	50,353
Other operating materials	68,979	-	68,979	23,034
Medical costs	7,615	-	7,615	4,920
Gas and oil	7,616	-	7,616	9,012
Maintenance and repairs	41,344	-	41,344	51,455
Total cost of operations and maintenance	272,485	-	272,485	215,095
Operating appropriations offset with revenues:				
Salaries and wages	53,805	-	53,805	66,438
Fringe benefits	4,302	-	4,302	-
Total operating appropriations offset with revenues	58,107	-	58,107	66,438
Length of service award program	26,400	-	26,400	28,600
Capital appropriations	-	68,789	68,789	-
Total operating appropriations	26,400	68,789	95,189	28,600
Total governmental expenditures	389,725	68,789	458,514	332,785
Excess of revenues over expenditures	20,974	131,211	152,185	287,017
Fund balance, January 1	354,082	652,864	1,006,946	719,929
Fund balance, December 31	\$ 375,056	\$ 784,075	\$ 1,159,131	\$ 1,006,946

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF MIDDLE**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures and Changes in Fund Balance in**  
**the Governmental Funds to the Statement of Activities**  
**December 31, 2014**

Total net changes in Fund Balance-Governmental Funds (B-2)	\$	152,185
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Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

	68,789	
Capital Outlays-Capital Fund		
Depreciation Expense	(220,227)	
		(151,438)

Changes in net position of governmental activities	\$	747
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**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF MIDDLE**  
**Fiduciary Funds**  
**Statement of Net Position**  
**December 31, 2014**  
**(With comparative totals for December 31, 2013)**

	<b>Length of Service Award Program</b>	<b>Totals</b>	
		<b>(Memorandum Only)</b>	
		<b>December 31, <u>2014</u></b>	<b>December 31, <u>2013</u></b>
Assets:			
Investments	\$ 299,177	\$ 299,177	\$ 274,924
Total assets	<u>299,177</u>	<u>299,177</u>	<u>274,924</u>
Net position:			
Reserved:			
For Length of Service Award Program	<u>299,177</u>	<u>299,177</u>	<u>274,924</u>
Total net position	<u>\$ 299,177</u>	<u>\$ 299,177</u>	<u>\$ 274,924</u>

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF MIDDLE**  
**Fiduciary Funds**  
**Statement of Changes in Net Position**  
**For the year ended December 31, 2014**  
**(With comparative totals for the year ended December 31, 2013)**

	<b>Length of Service Award Program</b>	<b>Totals</b>	
		<b>(Memorandum Only)</b>	
		<b>December 31, 2014</b>	<b>December 31, 2013</b>
Revenues and other financing sources:			
District contributions	\$ 26,400	\$ 26,400	\$ 28,600
Total contributions	<u>26,400</u>	<u>26,400</u>	<u>28,600</u>
Investment earnings:			
Net appreciation of investments	22,543	22,543	46,762
Total investment earnings	<u>22,543</u>	<u>22,543</u>	<u>46,762</u>
Total revenues and other financing sources	<u>48,943</u>	<u>48,943</u>	<u>75,362</u>
Expenditures:			
Withdrawals	23,840	23,840	21,413
Forefeitures	-	-	25,804
Administrative fees and refunds	850	850	1,852
Total expenditures	<u>24,690</u>	<u>24,690</u>	<u>49,069</u>
Excess of revenues and other financing sources over expenditures	24,253	24,253	26,293
Net position, January 1	<u>274,924</u>	<u>274,924</u>	<u>248,631</u>
Net position, December 31	<u>\$ 299,177</u>	<u>\$ 299,177</u>	<u>\$ 274,924</u>

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



**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements**  
**For the year ended December 31, 2014**

**NOTE 1: GENERAL INFORMATION**

**A. Description of Reporting Entity**

Fire District No. 2 of the Township of Middle is a political subdivision of the Township of Middle, County of Cape May, State of New Jersey. A board of five commissioners oversees all of the operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of every February.

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

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

**B. District Officials**

The District is governed by a board of five commissioners. The following were in office at December 31, 2014:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
Salvatore DeSimone	2016
Connie Johnson	2017
Kirby Stiltner, Sr.	2015
Jean Zimmerman	2017
Robert Zimmerman	2016

**C. Accounting Records**

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

**D. Minutes**

Minutes were recorded for meetings and contained approvals for disbursements.

**E. Component Units**

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is whether:

- ◆ the organization is legally separate (can sue or be sued in their own name)
- ◆ the District holds the corporate powers of the organization
- ◆ the District appoints a voting majority of the organization's board

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

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

**E. Component Units (continued)**

- ◆ the District is able to impose its will on the organization
- ◆ the organization has the potential to impose a financial benefit/burden on the District
- ◆ there is a fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

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

**A. Basis of Presentation**

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

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

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

**B. Fund Accounting**

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

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

**B. Fund Accounting (continued)**

Governmental Funds:

*General Fund*

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

*Capital Projects Fund*

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

Fiduciary Funds:

*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.

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. The District does not allocate general government (indirect) expenses to other functions.

Net position is restricted when constraints placed on it is either externally imposed or imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

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

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

not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

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

**D. Basis of Accounting**

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

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

In its accounting and financial reporting, the Fire District No. 2 of the Township of Middle follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB).

**E. Budgets and Budgetary Accounting**

The Fire District must adopt an annual budget in accordance with N.J.S.A. 40A: 14-78.1 et al.

The fire commissioners must introduce and adopt the annual budget no later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the Fire District. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the fire commissioners may, by majority vote, adopt the budget.

Amendments may be made to the Fire District budget in accordance with N.J.S.A 40A: 14-78.3.

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

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

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

Subsequent to the adoption of the Fire District budget, the amount of money to be raised by taxation in support of the Fire District budget must appear on the ballot for the annual election for approval of the legal voters.

Fire Districts have a prescribed budgetary basis to demonstrate legal compliance. However, budgets are adopted on principally the same basis of accounting utilized for the preparation of the Fire Districts general-purpose financial statements.

**F. Encumbrances**

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

Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current year-end. There were no encumbrances at December 31, 2014.

**G. Cash and Cash Equivalents**

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

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

Public funds are defined as the funds of any governmental unit. Public depositories include savings and loan institutions, banks (both State and National banks) and savings banks the deposits of which they are federally insured. All public depositories must pledge collateral, having a market value of five percent of its average daily balance of collected public funds, to secure the deposits of governmental units. If public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

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

**H. Prepaid Expenses**

Prepaid expenses that benefit future periods are recorded as an expenditure during the year of purchase.

**I. Debt Limitation**

*N.J.S.A.40A:14-84* governs procedures for the issuance of any debt related to such purchases. In summary, Fire Districts may purchase fire fighting apparatus, equipment, land and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or 2 percent of the assessed valuation of property, whichever is larger.

**J. Capital Assets**

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

Depreciation is recorded on the straight-line method (with no depreciation applied to the first year of acquisition) over the useful lives of the assets as follows:

Apparatus	5 to 20 years
Fire Equipment	5 to 10 years

**K. Inventory, Materials and Supplies**

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

**L. Interfund Receivable/Payable**

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

**M. Revenues and Expenditures**

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

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

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

**N. Fire District Taxes**

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

**O. Fund Equity**

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Fire District No. 2 of the Township of Middle 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 Administrator.
- Unassigned – includes balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds

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

**P. Net Position**

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

- Net Investment in Capital Assets – This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

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

**P. Net Position (continued)**

- Unrestricted – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

**Q. Use of Estimates**

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

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

Recently Issued and Adopted Accounting Pronouncements

In March 2012, the GASB issued Statement 66, *Technical Corrections—2012*—an amendment of GASB Statements No. 10 and No. 62. GASB 66 improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement is effective for periods beginning after December 15, 2012 although the District elected to early implement Statement 62 in fiscal year 2012. The adoption of GASB 66 does not have any impact on the District's financial statements.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012. The adoption of GASB 65 does not have any impact on the District's financial statements.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27*. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.



**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

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

**S. 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.

**T. Fair Value Measurement**

The District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

*Level I* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

*Level II* – Inputs that include quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

*Level III* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values.

Subsequent to initial recognition, the District may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

The following methods and assumptions were used by the District in estimating the fair value of its financial instruments:

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

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

The table in Note 4 sets forth by level, within the fair value hierarchy, the LOSAP's assets at fair value as of December 31, 2014.

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

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

**U. Subsequent Events**

The District has evaluated subsequent events through April 27, 2015, the date the financial statements were available to be issued.

**NOTE 3: CASH**

The Fire District is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2014, and reported at fair value are as follows:

**Deposits:**

Demand deposits	\$ <u>1,169,308</u>
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Total deposits	\$ <u>1,169,308</u>
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**Reconciliation to Governmental Fund Statements:**

Governmental Funds	\$ <u>1,169,308</u>
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Total	\$ <u>1,169,308</u>
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**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, 2014, the District's bank balance of \$1,173,273 was insured or collateralized as follows:

Insured	\$ 569,482
Collateralized in the District's name under GUDPA	<u>603,791</u>
Total	<u>\$ 1,173,273</u>

**NOTE 4: INVESTMENTS**

**A. Custodial Credit Risk**

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

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**NOTE 4: INVESTMENTS (continued)**

**B. Investment Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Fire District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**C. Investment Credit Risk**

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

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

The following table sets forth by level, within the value hierarchy, the District's assets at fair value at December 31, 2014.

<i>Assets at Fair Value as of December 31, 2014</i>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fiduciary Funds:				
Fixed Account Investment Contract	\$ -	\$ -	\$ 299,177	\$ 299,177
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 299,177</u>	<u>\$ 299,177</u>

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**NOTE 4: INVESTMENTS (continued)**

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

**Level III Gains and Losses**

The following table sets forth a summary of changes in the fair value of the LOSAP's Level III assets for the year ended December 31, 2014.

	<b>Level III Assets Year</b> <b><u>Ended 12/31/14</u></b>
Balance, beginning of year	\$ 274,924
Purchases, sales, issuances and settlements (net)	1,710
Gains & (Losses)	<u>22,543</u>
Balance, end of year	<u>\$ 299,177</u>

**NOTE 5: CAPITAL ASSETS**

N.J.S.A. 40A: 14-84 governs the procedures for the acquisition of property and equipment for the Fire Districts, and the N.J.S.A. 40A: 14-85-87 governs procedures for the issuance of any debt related to such purchases. In summary, Fire Districts may purchase fire fighting apparatus, equipment, land, and buildings to house such property in an amount not exceeding five mills on the dollar of the least assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or two percent of the assessed valuation of property, whichever is larger.

Fixed assets consisted of the following at December 31, 2014:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Apparatus	\$ 1,486,580	\$ -	\$ -	\$ 1,486,580
Fire equipment	<u>1,211,216</u>	<u>68,789</u>	<u>-</u>	<u>1,280,005</u>
Totals at historical cost	<u>2,697,796</u>	<u>68,789</u>	<u>-</u>	<u>2,766,585</u>
Less: accumulated depreciation:				
Apparatus	(1,166,241)	(121,353)	-	(1,287,594)
Fire equipment	<u>(950,214)</u>	<u>(98,874)</u>	<u>-</u>	<u>(1,049,088)</u>
Total accumulated depreciation	<u>(2,116,455)</u>	<u>(220,227)</u>	<u>-</u>	<u>(2,336,682)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>\$ 581,341</u>	<u>\$ (151,438)</u>	<u>\$ -</u>	<u>\$ 429,903</u>

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**NOTE 6: LENGTH OF SERVICE AWARDS PROGRAM**

The District has a contractual agreement with volunteer firefighters to reward them based on length of service to insure continued service. This is not a pension plan as described under the Employee Retirement Security Act, and therefore is not guaranteed to the volunteers until they reach the age 65. The contribution for the year ended December 31, 2014 was \$26,400.

**NOTE 7: INTERFUND RECEIVABLE/PAYABLE**

As of December 31, 2014, the following interfund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ -	\$ 784,075
Capital	<u>784,075</u>	<u>-</u>
Total	<u>\$ 784,075</u>	<u>\$ 784,075</u>

The purpose of these interfunds are for short-term borrowing. Interfund receivables are recorded as other receivables. Interfund payables are recorded as other payables.

**NOTE 8: FUNDING**

The activities of the Board of Commissioners are primarily funded by the striking of the fire tax on the property owners of the Fire District, as provided for by the state statute. For the year ended December 31, 2014, the fire tax rate on the Fire District No. 2 was approximately \$.087 per \$100 of assessed valuation.

**NOTE 9: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. There have been no significant reeducation in overage from the prior year and settlements have not exceeded coverage in the past three years.

**NOTE 10: GASB #54 FUND BALANCE DISCLOSURE**

**General Fund** – Of the \$373,056 General Fund fund balance at December 31, 2014, \$37,000 has been assigned to be designated for subsequent year’s expenditures; \$21,479 has been assigned to the disability fund; and \$316,577 is unassigned.

**Capital Projects Fund** – Of the \$784,075 Capital Projects Fund fund balance at December 31, 2014, \$770,000 has been restricted to be designated for subsequent year’s expenditures; and \$14,075 is restricted for Capital.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available, unless prohibited by law or regulation.

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**NOTE 11: SUBSEQUENT EVENTS**

On January 15, 2015, the District purchased property at 1116 Route 47 South, Rio Grande, New Jersey in the amount of \$220,000. This property is next to the current property of the Fire District.

On January 15, 2015, the District approved to purchase a chassis in the amount of \$731,780.

**FIRE DISTRICT NO. 2 OF THE TOWNSHIP OF MIDDLE**  
**Budgetary Comparison Schedule**  
**For the year ended December 31, 2014**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ -	\$ -	\$ 2,414	\$ 2,414
Other revenue	-	-	18,752	18,752
Total miscellaneous revenues	-	-	21,166	21,166
Miscellaneous revenues offset with appropriations:				
Uniform fire safety act revenues:				
Annual registration fee	30,000	30,000	39,300	9,300
Penalties and fines	22,000	22,000	13,433	(8,567)
Total uniform fire safety act revenues	52,000	52,000	52,733	733
Total miscellaneous revenues offset with appropriations	52,000	52,000	52,733	733
Total revenues	52,000	52,000	52,733	733
Amount raised by taxation to support district budget	536,800	536,800	536,800	-
Total anticipated revenues	588,800	588,800	610,699	21,899
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	16,000	16,000	14,000	2,000
Other expenditures:				
Professional fees	10,000	10,000	9,809	191
Elections	1,000	1,000	676	324
Office expenses	2,500	2,500	7,033	(4,533)
Advertising	300	300	1,215	(915)
Total administration	29,800	29,800	32,733	(2,933)
Cost of operations and maintenance:				
Other expenditures:				
Insurance	45,000	45,000	53,553	(8,553)
Supplies	2,000	2,000	3,213	(1,213)
Training and education	2,500	2,500	1,909	591
Travel expense	500	500	535	(35)
Utilities	35,000	35,000	36,867	(1,867)
Other rentals	55,000	55,000	50,854	4,146
Other operating materials	100,500	100,500	68,979	31,521
Medical costs	10,000	10,000	7,615	2,385
Gas and oil	10,000	10,000	7,616	2,384
Maintenance and repairs	40,000	40,000	41,344	(1,344)
Total cost of operations and maintenance	300,500	300,500	272,485	28,015
Operating appropriations offset with revenues:				
Salaries and wages	52,000	52,000	53,805	(1,805)
Fringe benefits	5,000	5,000	4,302	698
Total operating appropriations offset with revenues	57,000	57,000	58,107	(1,107)
Length of service award program	32,000	32,000	26,400	5,600
Capital appropriations	200,000	200,000	68,789	131,211
Total operating appropriations	619,300	619,300	458,514	160,786
Excess (deficiency) of revenues under (over) expenditures	(30,500)	(30,500)	152,185	182,685
Fund balance, January 1	1,006,946	1,006,946	1,006,946	-
Fund balance, December 31	\$ 976,446	\$ 976,446	\$ 1,159,131	\$ 182,685



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

We have audited the basic financial statements of the Fire District No. 2 of the Township of Middle, County of Cape May, State of New Jersey for the year ended December 31, 2014. 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.

### **Property, Plant & Equipment**

During our review of the District's fixed assets, we noted the following:

#### **\*Finding 2014-01:**

The District does not maintain a complete and accurate fixed asset listing in accordance with N.J.A.C. 5:30-5.6 and calculate depreciation according to generally accepted accounting principles.

#### **Recommendation:**

The District must properly maintain a complete and accurate fixed asset listing.

#### **Management's Response:**

This will be corrected in 2015.

#### **Finding 2014-02:**

The District did not maintain accurate records for accounts payable at year end.

#### **Recommendation:**

The District must maintain accurate records of accounts payable at year end.

#### **Management's Response:**

This will be corrected in 2015.

### **Follow-up on Prior Years' Findings**

In accordance with *Government Auditing Standards* we have included a review of prior year findings. The previous year's audit findings have been corrected with the exception of the finding above marked with an asterisk (\*).

## **Acknowledgment**

We received the complete cooperation of all the staff of the District and we greatly appreciate the courtesies extended to the members of the audit team.

During our audit, we did not note any problems or weaknesses significant enough that would affect our ability to express an opinion on the financial statements taken as a whole.

Should you have any questions, please contact us.

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

April 27, 2015  
Toms River, New Jersey