

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

REPORT OF AUDIT

DECEMBER 31, 2017

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

2018 OFFICIALS IN OFFICE AND SURETY BONDS

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

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

FINANCIAL SECTION

206 RIDGECREST AVENUE
STATEN ISLAND, NY 10312
P: 718-415-7118, F: 866-304-7393
STCPAPLLC@GMAIL.COM

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Township of East Brunswick
Fire District No.3
East Brunswick, NJ 08816

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund and the aggregate remaining fund information of the Township of East Brunswick Fire District No.3, in the County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the Township of East Brunswick Fire District No.3's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund and the aggregate remaining fund information of the Township of East Brunswick Fire District No.3, in the County of Middlesex, State of New Jersey, as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township of East Brunswick Fire District No.3's basic financial statements as a whole. The supplemental schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Township of East Brunswick Fire District No.3, in the County of Middlesex, State of New Jersey.

The Supplemental Data and Schedules are the responsibility of management and were derived directly from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental data section is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Other Reporting By Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 21, 2018 on our consideration of the Township of East Brunswick Fire District No.3's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Accounting Standards in considering the Township of East Brunswick Fire District No.3's internal control over financial reporting and compliance.

Solitario & Tierney, CPA, PLLC

Staten Island, New York
May 21, 2018

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

Board of Fire Commissioners
Township of East Brunswick
Fire District No.3
East Brunswick, NJ 08816

We have audited the financial statements of the governmental activities and each major fund of the Township of East Brunswick Fire District No.3, in the County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2017 and have issued our report thereon dated May 21, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, State of New Jersey.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of East Brunswick Fire District No.3's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do

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

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

Solitario & Tierney, CPA, PLLC

Staten Island, New York
May 21, 2018

**REQUIRED SUPPLEMENTARY INFORMATION
PART I**

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

As management of the Township of East Brunswick Fire District No.3, (hereafter referred to as the "Fire District") we offer readers of the Fire District's financial statements this narrative overview and analysis of the financial activities of the Fire District for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the Fire District's financial performance as a whole; readers should also review the information furnished in the notes to the basic financial statements along with the financial statements to enhance their understanding of the Fire District's financial performance.

Financial Highlights

- The assets of the Fire District exceeded its liabilities at the close of the most recent year by \$926,646 (Net Position).
- As of the close of the current year, the Fire District's governmental funds reported combined ending fund balances of \$2,021,442, an increase of \$1,053,247 in comparison with the prior year.
- At the end of the current year, the committed fund balance for the capital fund was \$1,663,483, approximately a 173.5 percent increase from the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$204,857, approximately a 16.7 percent decrease from the prior year.

Overview of Financial Statements

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

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

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

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

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

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

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

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

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

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

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

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

District-wide Financial Analysis

As noted earlier, the net position may serve over time as a useful indicator of a government's financial position. In the case of the Fire District, assets exceeded liabilities by \$926,646 at the close of the most recent year.

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

Statement of Net Position

TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO.3
NET POSITION
DECEMBER 31, 2017

Current and Other Assets	\$ 2,111,418
Capital Assets	502,341
Construction in Progress	<u>588,459</u>
 Total Assets	 \$ 3,202,218
 Other Liabilities	 \$ 75,572
Long-term Liabilities Outstanding	<u>2,200,000</u>
 Total Liabilities	 \$ 2,275,572
 Net Position	 <u>\$ 926,646</u>

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

Invested Capital Assets, Net of Related Debt	\$ 2,341
Designated for Debt Service	14,102
Committed for Capital Projects	1,663,482
Unassigned	<u>(753,279)</u>
Net Position	<u><u>\$ 926,646</u></u>

An additional portion of the Fire District's net position (\$1,677,584) represents resources that are subject to external restrictions on how they may be used.

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

Expenses

Operating Appropriations:	
Administration	\$ 20,243
Cost of Operations and Maintenance	545,451
LOSAP Contribution	39,857
Capital Appropriations:	
Fire Apparatus	12,325
Interest on Long-term Debt	<u>7,613</u>
Total Program Expenses	\$ 625,489
Program Revenues:	
Operating Grants & Contributions	<u>1,889</u>
Net Program Expenses	\$ 623,600

General Revenues

Taxes:	
Property Taxes, Levied for General Purposes	\$ 496,339
Taxes Levied for Debt Service	232,613
Unrestricted Investment Earnings	1,809
Miscellaneous Income	<u>19,770</u>
Total General Revenues	\$ 750,531
Increase in Net Position	\$ 126,931
Net Position, January 1	787,013
Prior Period Adjustment	<u>12,702</u>
Net Position, December 31	<u><u>\$ 926,646</u></u>

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

Property taxes constituted 97% of revenues for government activities for the Fire District for the year 2017.

Cost of Operations and Maintenance comprises 87% of fire district expenses, with administration comprising 3%.

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

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

As of the end of the current year, the Fire District's governmental funds reported combined ending fund balances of \$2,021,442, an increase of \$1,053,247 in comparison with the prior year.

Of the combined ending fund balances of \$2,021,442, the unassigned fund balance constituted \$343,857, of which \$139,000 has been utilized on the 2018 budget. The remainder of the fund balances is \$1,677,585, of which \$14,102 represents funds designated for debt service and \$1,663,483 representing funds committed for future spending. Of these committed funds for future spending, \$1,410,000 from the Firehouse Project has been utilized in the 2018 budget. The remaining balance of \$253,483 is committed as follows: 1) \$224,267 is committed to indicate that it is not available for new spending during 2018 because it is restricted to planned future capital outlays that are subject to the approval of the voters of the Fire District; 2) \$6,203 is committed to complete the purchase of the new Fire Apparatus, which was approved by the voters of the Fire District on February 15, 2014, and; 3) \$3,013 is committed for expenditures associated with the Capital Firehouse Project which was approved by the voters of the Fire District on June 23, 2012.

The general fund is the main operating fund of the Fire District. At the end of the current year, the unassigned fund balance of the general fund was \$343,857, a decrease of 2,119 from last year.

The capital projects fund had a fund balance of \$1,663,483 at the end of the current year. There was an increase in this balance during the current period of \$1,055,366.

The debt service fund had a fund balance of \$14,102 at the end of the current year. This fund was designated for payment on the Inter-Local Service Agreement (#1) with the Township of East Brunswick.

General Fund Budgetary Highlights

During the course of the 2017-year the Fire District modified its general fund budget in conformance with statute.

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

The final budgetary basis revenue estimate was \$1,226,491. The original budgetary estimate was the same.

During the year 2017, the Fire District budgeted \$728,952 for property taxes (local tax levy) and \$1,889 for state aid revenues (supplemental fire services grant).

The final budgetary basis expenditures appropriation estimate was \$1,226,491. The original budgetary estimate was the same.

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

Capital Assets and Debt Administration.

The Fire District's investment in capital assets for its governmental activities as of December 31, 2017 amounts to \$502,341 (net of accumulated depreciation). This investment in capital assets includes fire apparatus, vehicles and firefighting equipment. The Fire District purchased capital assets totaling \$23,667 during 2017.

At the end of 2017 the Fire District had \$2,224,918 invested in fire apparatus, vehicles and firefighting equipment. The accumulated depreciation on these items was \$1,722,577.

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO.3
CAPITAL ASSETS
(NET OF ACCUMULATED DEPRECIATION)
DECEMBER 31, 2017**

FIRE APPARATUS/VEHICLES	\$ 453,655
FIREFIGHTING EQUIPMENT	<u>\$ 48,686</u>
TOTAL CAPITAL ASSETS	<u>\$ 502,341</u>

Additional information on the Fire District's capital assets can be found in Note 4 in the Notes to Financial Statements.

Long-Term Obligations

As of December 31, 2017, the Fire District had a total debt outstanding of \$2,200,000. This debt consists of two (2) Inter-Local Service Agreements with the Township of East Brunswick. The first agreement was activated when the Fire District took the first draw of \$500,000, in 2014, against a total agreed amount of \$2,000,000. In 2017 they took the second draw of \$1,500,000, which was the balance left. This obligation is for the Capital Improvement Project for the Riva Avenue Firehouse. The second agreement was activated when the Fire District took \$625,000 in August of 2016 for the purchase of a 2016 Pierce Arrow Rescue Truck. See Note 6 in the Notes to Financial Statements for additional information.

Economic Factors and Next Year's Budget

For the 2017 year the Fire District was able to sustain its budget through the district tax levy and other sources of revenue. Approximately 97 percent of total revenue is from the local tax levy, while the remainder is from other sources. The Board of Fire Commissioners adopted the 2018 budget January 9, 2018 and the voters subsequently approved the budget at the annual fire district election held on February 17, 2018.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3

STATEMENT OF NET POSITION

DECEMBER 31, 2017

ASSETS:

Cash and Cash Equivalents	\$ 419,430
Prepaid Expenses	14,404
Restricted Assets:	
Cash and Cash Equivalents	1,677,584
Capital Assets, net (Note 4)	502,341
Construction in Progress (Note 5)	<u>588,459</u>
Total Assets	\$ 3,202,218

LIABILITIES:

Accounts Payable	75,572
Noncurrent Liabilities (Note 5)	
Due within One Year	375,000
Due beyond One Year	<u>1,825,000</u>
Total Liabilities	\$ 2,275,572

NET POSITION:

Invested in Capital assets, Net of Related debt.	\$ 2,341
Designated for Debt Service	14,102
Committed for:	
Capital Outlay	244,266
Fire Apparatus	6,203
Firehouse Project	1,413,013
General	-
Unassigned:	
General	(753,279)
Capital	<u> </u>
Total Net Position	<u><u>\$ 926,646</u></u>

See accompanying Accountant's Report and Notes.

TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Expenses:	
Operating Appropriations:	
Administration	\$ 20,243
Cost of Operations and Maintenance	545,451
Length of Service Award Program (LOSAP)- Contribution (P.L. 1997, c. 388)	39,857
Capital Appropriations	
Fire Apparatus	12,325
Interest on Long-Term Debt	7,613
	<hr/>
Total Program Expenses	\$ 625,489
Program Revenues:	
Charges for Services	\$ -
Operating Grants and Contributions	1,889
	<hr/>
Net Program Expenses	\$ 623,600
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	\$ 496,339
Taxes Levied for Debt Service	232,613
Unrestricted Investment Earnings	1,809
Miscellaneous Income	19,770
	<hr/>
Total General Revenues	\$ 750,531
Increase in Net Position	\$ 126,931
Net Position, January 1 (Note 10)	787,013
Prior Period Adjustment	12,702
Net Position, December 31	<hr/> <hr/>
	\$ 926,646

See accompanying Accountant's Report and Notes

FUND FINANCIAL STATEMENTS

TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash	\$ 419,429	\$ 1,663,483	\$ 14,102	\$ 2,097,014
Amount to be Provided for Payment of Debt			1,700,000	1,700,000
Total Assets	<u>\$ 419,429</u>	<u>\$ 1,663,483</u>	<u>\$ 1,714,102</u>	<u>\$ 3,797,014</u>
LIABILITIES:				
Accounts Payable	\$ 75,572			\$ 75,572
Loan Payable: I/L/S/A (#2)			\$ 1,700,000	1,700,000
Due to Twp. of E. Brunswick	-			-
Total Liabilities	\$ 75,572	\$ -	\$ 1,700,000	\$ 1,775,572
FUND BALANCES:				
Designated for Debt Service			\$ 14,102	\$ 14,102
Committed:				
Future Capital Outlay		\$ 244,267		244,267
Fire Apparatus		6,203		6,203
Firehouse Project		3,013		3,013
Assigned:				
Subsequent Year's Expenditures	\$ 139,000	1,410,000		1,549,000
Unassigned:				
General	204,857			204,857
Total Fund Balances	<u>\$ 343,857</u>	<u>\$ 1,663,483</u>	<u>\$ 14,102</u>	<u>\$ 2,021,442</u>
Total Liabilities and Fund Balances	<u>\$ 419,429</u>	<u>\$ 1,663,483</u>	<u>\$ 1,714,102</u>	

See accompanying Accountant's Report and Notes

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

TOTAL
GOVERNMENTAL
FUNDS

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

Payments made to vendors for services that will benefit periods beyond fiscal year end that are recorded as expenditures at the time of payment in the governmental funds.

\$ 14,404

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,224,918 and the accumulated depreciation is \$1,722,577.

Capital Assets, net

\$ 502,341

Construction in Progress – Loan Proceeds

588,459

1,090,800

Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

(2,200,000)

Net Position of Governmental Activities

\$ 926,646

See accompany Accountant's Report and Notes

TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES:				
Interest	\$ 904	\$ 905	\$ -	\$ 1,809
Operating Grant Revenue	1,889			1,889
Unrestricted Fund Balance Appropriated	100,000			100,000
Restricted Fund Balance Appropriated		395,000		395,000
Amount to be Raised by Taxation to Support the District Budget	<u>496,339</u>	<u>-</u>	<u>232,613</u>	<u>728,952</u>
Total Revenues	\$ 599,132	\$ 395,905	\$ 232,613	\$ 1,227,650
EXPENDITURES:				
Operating Appropriations:				
Operating & Administration	\$ 20,243	\$ -	\$ -	\$ 20,243
Operations & Maintenance	458,480			458,480
Capital Appropriations	55,000	500,539		555,539
Debt Service	<u>-</u>	<u>-</u>	<u>232,613</u>	<u>232,613</u>
Total Expenditures	<u>\$ 533,723</u>	<u>\$ 500,539</u>	<u>\$ 232,613</u>	<u>\$ 1,266,875</u>
Excess of Revenues Over Expend.	\$ 65,409	\$ (104,634)	\$ -	\$ (39,225)
Other Financing Sources (Uses):				
Misc. Revenue Not Anticipated	\$ 19,770	\$ -	\$ -	\$ 19,770
Proceeds from Inter-Local Agrmt (#2)		1,500,000		
Committed for Future Capital Outlays	<u>-</u>	<u>55,000</u>		<u>55,000</u>
Other Financing Sources (Uses)	<u>\$ 19,770</u>	<u>\$ 1,555,000</u>	<u>\$ -</u>	<u>\$ 1,574,770</u>
Excess of Rev\Other Financing Sources Over Expenditures\Other Financing Uses	\$ 85,179	\$ 1,450,366	\$ -	\$ 1,535,545
Fund Balances, January 1, 2017	345,976	608,117	14,102	968,195
Utilization of Fund Balance	(100,000)	(395,000)		(495,000)
Adjustment to Fund Balance	12,702			12,702
Fund Balances, December 31, 2017	<u>\$ 343,857</u>	<u>\$ 1,663,483</u>	<u>\$ 14,102</u>	<u>\$ 2,021,442</u>

See accompanying Accountant's Report and Notes

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Total Net Change in Fund Balances - Governmental Funds	\$ 1,535,545
Amounts reported for governmental activities in the Statement of Activities (A-2) are different because:	
Utilization of Restricted Funds	(395,000)
Utilization of Unrestricted Funds	(100,000)
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the adjustment for capital outlay and depreciation for the period.</p>	
Capital Outlay	23,667
Depreciation Expense	(149,148)
<p>Proceeds from Inter-Local Service Agreement are recorded as revenue and the disbursements of these proceeds on capital expenditures are recorded as expenditures for governmental funds. In the government-wide Statement of Activities proceeds from loans increases long-term liabilities and payments for capital projects expenditures increases fixed assets.</p>	
Proceeds from Inter-Local Service Agreement (#2)	(1,500,000)
Capital Projects Expenditures	488,214
<p>Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.</p>	
	225,000
<p>In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).</p>	
	<u>(1,347)</u>
Change in Net Position of Governmental Activities	<u>\$ 126,931</u>

See accompanying Accountant's Report and Notes

NOTES TO THE FINANCIAL STATEMENTS

TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1: Summary of Significant Accounting Policies

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

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

Component Units - GASB Statement No. 14, The Financial Reporting Entity, and GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, provide guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statements No. 14 and No. 39. In addition, GASB Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34, provides additional guidance for organizations that do not meet the financial accountability criteria for inclusion as component units but that nevertheless should be included because the primary government's management determines that it would be misleading to exclude them. As of December 31, 2017, it has been determined by the Fire District that no component units exist.

Basis of Presentation - The financial statements of the Fire District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Fire District's accounting policies are described in this Note.

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

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

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

TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1: Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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

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

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

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for but not limited to the acquisition or construction of major capital facilities such as fire houses and fire fighting apparatus. Generally, the financial resources of the Capital Projects Fund are derived from the issuance of debt or by the reservation of fund balance, which must be authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

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

Measurement Focus

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

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

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

TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

Non-exchange transactions, in which the Fire District receives value without directly giving equal value in return, include Ad Valorem (property) taxes, grants, entitlements and donations. Ad Valorem (Property) Taxes are susceptible to accrual, as under New Jersey State Statute, a municipality is required to remit to its Fire District the entire balance of taxes in the amount voted upon or certified, prior to the end of the fire district year. The Fire District records the entire approved tax levy as revenue (accrued) at the start of the year since the revenue is both measurable and available. The Fire District is entitled to receive monies under the following established payment schedule: on or before April 1, an amount equaling 21.25% of all monies assessed; on or before July 1, an amount equaling 22.5% of all monies assessed; on or before October 1, an amount equaling 25% of all monies assessed; and on or before December 31, an amount equaling the difference between the total of all monies so assessed and the total amount of monies previously paid over. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied.

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

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

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

Budgets / Budgetary Control - The Fire District must adopt an annual budget in accordance with N.J.S.A. 40A:14-78.1 et al. The fire commissioners must introduce and approve the annual budget not later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the Fire District. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the fire commissioners may, by majority vote, adopt the budget.

Amendments may be made to the Fire District budget in accordance with N.J.S.A. 40A:14-78.3. The budget may not be amended subsequent to its final adoption and approval.

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

Fire districts have a prescribed budgetary basis to demonstrate legal compliance. However, budgets are adopted on principally the same basis of accounting utilized for the preparation of the Fire District's basic fund financial statements.