

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 1**  
**FINANCIAL STATEMENTS**  
**AND**  
**SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

## **INDEPENDENT AUDITORS' REPORT**

Board of Fire Commissioners  
Middle Township Fire District #1  
Cape May Courthouse, New Jersey

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

We have audited the accompanying financial statements of the governmental activities of each major fund and the aggregate remaining fund information of the Middle Township Fire District #1, County of Cape May, State of New Jersey, as of and for the fiscal year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Middle Township Fire District #1, County of Cape May, State of New Jersey, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows 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 on pages 6 through 8 and 27 through 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 Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Middle Township Fire District #1's basic financial statements. The long-term debt – schedule of serial bonds payable and obligations under capital leases, on pages 30 & 31, are presented for purposes of additional analysis and is not a required part of the financial statements.

The long-term debt - schedule of serial bonds payable and obligations under capital leases are the responsibility of management and were derived from and relate 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 other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the long-term debt schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2014 on our consideration of the Middle Township Fire District #1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Middle Township Fire District #1's internal control over financial reporting and compliance.

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

March 29, 2014  
Medford, New Jersey



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

Board of Fire Commissioners  
Middle Township Fire District #1  
Cape May Courthouse, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities of each major fund, and the aggregate remaining fund information of Middle Township Fire District #1, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Middle Township Fire District #1's basic financial statements, and have issued our report thereon dated March 29, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Middle Township Fire District #1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Middle Township Fire District #1's internal control. Accordingly, we do not express an opinion on the effectiveness of Middle Township Fire District #1's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Middle Township Fire District #1'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 no 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 the Division of Local Government Services, Department of Community Affairs State of New Jersey.

## **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*

March 29, 2014  
Medford, New Jersey



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### UNAUDITED

The District provides fire protection services to a 70 square mile area of Middle Township. The population of the District is approximately 16,405. 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-3). 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-flows of spendable resources, as well as on balances of spendable resources available at the end of the year.

The District maintains three 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, capital projects fund and debt service fund, all of which are considered major funds.

### **Fiduciary Fund**

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

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

### **Expendable Trust Fund**

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

### **Condensed Government-Wide Financial Data**

	<b>2013</b>	<b>2012</b>
<b>ASSETS:</b>		
Unrestricted Current Assets	\$ 808,971	\$ 767,194
Fixed Assets, Net of Accumulated Depreciation	<u>7,072,265</u>	<u>7,391,601</u>
Total Assets	<u>7,881,236</u>	<u>8,158,795</u>
<b>LIABILITIES:</b>		
Current Liabilities	436,254	429,211
Noncurrent Liabilities	<u>4,602,369</u>	<u>4,945,459</u>
Total Liabilities	<u>5,038,623</u>	<u>5,374,670</u>
<b>NET POSITION:</b>		
Invested in Capital Assets, Net of Accumulated Depreciation & Related Debt	2,126,806	2,135,431
Restricted Net Position	39,407	(23,371)
Unrestricted Net Position	<u>676,400</u>	<u>675,375</u>
Total Net Position	<u>2,842,613</u>	<u>2,784,125</u>
Total Liabilities and Net Position	<u>\$7,881,236</u>	<u>\$8,158,795</u>



**Condensed Government-wide Financial Data (continued):**

	2013	2012
Expenditures Governmental Activities, Net of Program Revenues	\$(1,159,050)	\$(1,152,294)
General Revenues:		
Property Taxes	1,168,736	1,168,740
Interest Income	296	442
Cancellation of Accounts Payable		11,944
Miscellaneous	<u>48,506</u>	<u>39,025</u>
Total General Revenues	<u>1,217,538</u>	<u>1,220,151</u>
Change in Net Position	<u>\$ 58,488</u>	<u>\$ 67,857</u>

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

The District's assets increased by \$58,488 for the fiscal year ended December 31, 2013, or approximately 2.10%, from the prior year. Of the \$2,842,613 in net position, \$2,126,806 is invested in capital assets (net of accumulated depreciation and related debt).

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

Governmental fund balances increased by \$59,515 over the prior year due primarily from an increase in fees collected and the sale of District assets.

**Budgetary Highlights**

Total General Fund revenues were \$53,740 or 7.06% more than budgeted.

Total General Fund expenditures were \$50,775 less than the amount budgeted. This was primarily due to the conservative spending.

**Capital Lease Payable**

At year-end the District has \$170,459 in capital lease payable. Detailed future payment information can be found in Note 8 to the financial statements.

During the year ended December 31, 2013, the District decreased the capital lease payable by \$79,021.

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

The District's main source of revenue is property taxes. The District expects property tax revenues to increase 4% to \$1,216,040 for the fiscal year ending December 31, 2014. Budgeted expenditures are expected to increase 9% to \$1,464,605.

**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 112 A Hand Avenue, Cape May Court House, New Jersey 08210.

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2013**  
**(With comparative Totals for December 31, 2012)**

ASSETS	GOVERNMENTAL ACTIVITIES	
	2013	(Memorandum Only) 2012
Current Assets:		
Cash	\$ 808,971	\$ 761,107
Accounts Receivable	-	6,087
Total Current Assets	808,971	767,194
Property Plant & Equipment (See Note 5):		
Property Plant & Equipment	10,426,131	10,654,945
Less: Accumulated Depreciation	(3,353,866)	(3,263,344)
Net Property Plant & Equipment	7,072,265	7,391,601
Total Assets	7,881,236	8,158,795
LIABILITIES		
Current Liabilities:		
Accounts Payable	7,571	25,309
Accrued Interest Payable	85,593	89,881
Current Portion of Capital Leases	83,090	79,021
Current Portion of Bonds Payable	260,000	235,000
Total Current Liabilities	436,254	429,211
Non Current Liabilities:		
Long-Term Liabilities Due Beyond One Year	4,602,369	4,945,459
Total Noncurrent Liabilities	4,602,369	4,945,459
Total Liabilities	5,038,623	5,374,670
NET POSITION		
Invested in Capital Assets, Net of Accumulated Depreciation & Related Debt	2,126,806	2,132,121
Restricted Net Position:		
Capital Projects	-	21,510
Debt Service	(85,593)	(89,881)
For Subsequent Year's Expenditures	125,000	45,000
Unrestricted Net Position:		
General Fund	676,400	675,375
Total Net Position	\$ 2,842,613	\$ 2,784,125

The accompanying notes are an integral part of this statement.

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2013**  
**(With comparative Totals for December 31, 2012)**

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	GOVERNMENTAL ACTIVITIES	
			(Memorandum Only)	
			2013	2012
Governmental Activities:				
Fire Protection:				
Administration	\$ 178,243	\$ -	\$ (178,243)	\$ (152,442)
Cost of Providing Services	564,821	131,988	(432,833)	(464,181)
Interest on Long-Term Liabilities	217,227	-	(217,227)	(232,361)
Adjustment to Fixed Assets	31,481	-	(31,481)	-
Depreciation	299,266	-	(299,266)	(303,310)
Total Governmental Activities	1,291,038	131,988	(1,159,050)	(1,152,294)
General Revenues:				
District Tax			1,168,736	1,168,740
Interest on Investments			296	442
Sale of Assets			45,000	39,025
Miscellaneous			3,506	11,944
Total General Revenues			1,217,538	1,220,151
Change in Net Position			58,488	67,857
Net Position, January 1			2,784,125	2,716,268
Net Position, December 31			\$ 2,842,613	\$ 2,784,125

The accompanying notes are an integral part of this statement.

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 1**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**DECEMBER 31, 2013**  
**(With comparative Totals for December 31, 2012)**

	GENERAL FUND	TOTALS (Memorandum Only)	
		DECEMBER 31, 2013	DECEMBER 31, 2012
Assets:			
Cash	\$ 808,971	\$ 808,971	\$ 761,107
Accounts Receivable	-	-	2,178
Interfund Receivable	-	-	96,091
Total Assets	<u>808,971</u>	<u>808,971</u>	<u>859,376</u>
Liabilities & Fund Balances:			
Liabilities:			
Interfund Payable	-	-	92,182
Accounts Payable	<u>7,571</u>	<u>7,571</u>	<u>25,309</u>
Total Liabilities	<u>7,571</u>	<u>7,571</u>	<u>117,491</u>
Fund Balances:			
Restricted for:			
Capital Projects	-	-	21,510
Assigned:			
Reserved for Subsequent Year's Expenditures	125,000	125,000	45,000
Unassigned:			
General Fund	<u>676,400</u>	<u>676,400</u>	<u>675,375</u>
Total Fund Balances	<u>801,400</u>	<u>801,400</u>	<u>741,885</u>
Total Liabilities & Fund Balances	<u>\$ 808,971</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  
\$10,426,131 and the accumulated depreciation is  
\$3,353,866.

7,072,265                      7,391,601

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

(4,945,459)                      (5,259,480)

Accrued interest not recorded in current financial  
statements.

(85,593)                      (89,881)

Net position of governmental activities

\$ 2,842,613                      \$ 2,784,125

The accompanying notes are an integral part of this statement.

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 1**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(With comparative Totals for December 31, 2012)**

				TOTALS	
				(Memorandum Only)	
	GENERAL	CAPITAL	DEBT	DECEMBER 31,	DECEMBER 31,
	FUND	PROJECTS	SERVICE	2013	2012
	FUND	FUND	FUND		
Miscellaneous Revenues:					
Interest on Investments	\$ 296	\$ -	\$ -	\$ 296	\$ 442
Registration Fees	131,668	-	-	131,668	121,927
Penalties & Fines	320	-	-	320	852
Sale of Assets	45,000	-	-	45,000	-
Miscellaneous	3,506	-	-	3,506	39,025
				-	-
Total Miscellaneous Revenues	180,790	-	-	180,790	162,246
Total Revenues	180,790	-	-	180,790	162,246
Amount to be Raised by Taxation to Support the District Budget	633,200	-	535,536	1,168,736	1,168,740
Total Anticipated Revenues	813,990	-	535,536	1,349,526	1,330,986
Expenditures:					
Administration	178,243	-	-	178,243	152,442
Cost of Operations	525,919	-	-	525,919	559,274
Length of Service Award Program	50,313	-	-	50,313	39,598
Debt Service	-	-	535,536	535,536	514,790
				-	-
Total Expenditures	754,475	-	535,536	1,290,011	1,266,104
				-	-
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures	59,515	-	-	59,515	64,882
Other Financing Sources/(Uses):					
Transfers	21,510	(21,510)	-	-	-
Cancellation of Accounts Payable	-	-	-	-	11,944
Total Other Financing Sources/(Uses)	21,510	(21,510)	-	-	11,944
Excess/(Deficiency) of Revenues & Other Financing Sources Over/(Under) Expenditures	81,025	(21,510)	-	59,515	76,826
Beginning Fund Balance	720,375	21,510	-	741,885	665,059
Ending Fund Balance	\$ 801,400	\$ -	\$ -	\$ 801,400	\$ 741,885

The accompanying notes are an integral part of this statement.

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 1**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE IN THE GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

Net Change in Fund Balances - Governmental Funds (Exhibit B-2)	\$	59,515
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Amounts reported for governmental activities in the statement of activities (Exhibit A-2) are different as follows:

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

Add: Capital Appropriations	\$	11,411	
Less: Loss on Disposal of Fixed Assets		(31,481)	
Less: Current Year Depreciation Expense		<u>(299,266)</u>	(319,336)

Accrued Interest on Long Term debt is not accrued in the governmental fund financial statements:

Prior Year		89,881	
Current Year		<u>(85,593)</u>	4,288

Repayment of principal on long-term liabilities is an expenditure for governmental funds, but the repayment reduces long-term liabilities on the government-wide Statement of Net Assets. Principal payments made on long-term liabilities during the year ended December 31, 2013 consist of the following:

Bonds Payable		235,000	
Capital Leases		<u>79,021</u>	314,021

Change in Net Position of Governmental Activities (Exhibit A-2)	\$	<u>58,488</u>
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The accompanying notes are an integral part of this statement.

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 1**  
**FIDUCIARY FUNDS**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2013**  
**(With comparative Totals for December 31, 2012)**

ASSETS	LENGTH OF SERVICE AWARD PROGRAM	PAYROLL AGENCY	TOTALS	
			(Memorandum Only)	
			DECEMBER 31, 2013	DECEMBER 31, 2012
Unrestricted Assets:				
Cash	\$ -	\$ 455	\$ 455	\$ 4,435
Total Unrestricted Assets	-	455	455	4,435
Restricted Assets:				
Investments	803,506	-	803,506	621,583
Total Restricted Assets	803,506	-	803,506	621,583
Total Assets	803,506	455	803,961	626,018
LIABILITIES				
Interfund Payable	-	-	-	3,909
Payroll Taxes Payable	-	455	455	526
Total Liabilities	-	455	455	4,435
NET POSITION				
LOSAP Reserves Invested On Behalf of Participating Volunteers	803,506	-	803,506	621,583
Total Net Position	\$ 803,506	\$ -	\$ 803,506	\$ 621,583

The accompanying notes are an integral part of this statement.



**MIDDLE TOWNSHIP FIRE DISTRICT NO. 1**  
**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(With comparative Totals for December 31, 2012)**

	LENGTH OF SERVICE AWARD PROGRAM	TOTALS (Memorandum Only) DECEMBER 31, DECEMBER 31, 2013 2012	
Contributions:			
General Fund Budget Appropriation	\$ 50,313	\$ 50,313	\$ 39,598
Total Contributions	50,313	50,313	39,598
Investment Earnings			
Appreciated Value on Restricted Investments	163,430	163,430	67,376
Total Investment Earnings	163,430	163,430	67,376
Total Additions	213,743	213,743	106,974
Expenditures:			
Investment Fees on Restricted Investments	1,373	1,373	2,037
Withdrawal of Investments by Participants	30,447	30,447	21,667
Total Expenditures	31,820	31,820	23,704
Excess of revenues and other financing sources over expenditures	181,923	181,923	83,270
Net Position - Beginning of the Year	621,583	621,583	538,313
Net Position - End of the Year	\$ 803,506	\$ 803,506	\$ 621,583

The accompanying notes are an integral part of this statement.

## **MIDDLE TOWNSHIP FIRE DISTRICT NO. 1**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013**

#### **Note 1. General Information**

##### **Description of Reporting Entity**

Fire District No.1 of the Township of Middle is a political subdivision of the Township of Middle, Cape May County, New Jersey. It was formed through the adoption of a Township ordinance. A board of 5 Commissioners oversees all operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of every February.

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

Middle Township Fire District No. 1 is not a component unit of any other financial reporting entity nor does the Fire District have any component units to be presented in accordance with Governmental Accounting Standards Board Statement No. 14.

##### **District Officials**

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

<b>Officials</b>	<b>Term Expires March</b>
Joseph Trombetta – Chairman	2015
Michael Butterfield – Assistant Chairman	2016
Keith Arenberg – Secretary	2015
Philip Winter – Treasurer	2016
Michael McNulty– Commissioner	2014

##### **Accounting Records**

The official accounting records of the District are maintained in the office of Middle Township Fire District No. 1.

##### **Minutes**

Minutes were recorded for meetings and contained approvals for disbursements.

#### **Note 2. Significant Accounting Policies**

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

## **MIDDLE TOWNSHIP FIRE DISTRICT NO. 1**

### **NOTES TO FINANCIAL STATEMENTS (continued) DECEMBER 31, 2013**

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

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

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

#### **B. Financial Statements**

##### **Government-Wide Financial Statements**

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

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

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

##### **Governmental Fund Financial Statements**

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

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year end) are recognized when due. Expenditures are recorded in the

## MIDDLE TOWNSHIP FIRE DISTRICT NO. 1

### NOTES TO FINANCIAL STATEMENTS (continued) DECEMBER 31, 2013

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

##### B. Financial Statements (continued):

accounting period in which the related fund liability is incurred. Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the different measurement focus and basis of accounting.

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

##### Governmental Funds:

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

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

**Debt Service Fund** – The Debt Service Fund is used to account for resources that will be used to service general long-term debt.

##### Budgets and Budgetary Accounting

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

The Fire Commissioners must introduce and approve the annual budget not later than sixty days prior to the annual election. At introduction, the Commissioners must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the Fire District. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the Fire Commissioners may, by majority vote, adopt the budget.

Amendments may be made to the Fire District budget in accordance with *N.J.S.A.40A:4-78.3*. The budget may not be amended subsequent to its final adoption and approval.

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

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

## MIDDLE TOWNSHIP FIRE DISTRICT NO. 1

### NOTES TO FINANCIAL STATEMENTS (continued) DECEMBER 31, 2013

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

##### B. Financial Statements (continued):

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

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

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

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

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

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

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

## MIDDLE TOWNSHIP FIRE DISTRICT NO. 1

### NOTES TO FINANCIAL STATEMENTS (continued) DECEMBER 31, 2013

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

##### B. Financial Statements (continued):

all moneys assessed; on or before July 1, an amount equaling 22.5% of all moneys assessed; on or before October 1, an amount equaling 25% of all moneys assessed; and on or before December 31, an amount equaling the difference between the total of all moneys so assessed and the total amount of moneys previously paid over.

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

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

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

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

**Fund Balance Reserve** – Fund balance reserves indicate the portions of fund balance not appropriate for expenditure or amounts legally segregated for a specific future use.

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

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

**Fund Equity** - In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Middle Township Fire District No. 1 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.

## MIDDLE TOWNSHIP FIRE DISTRICT NO. 1

### NOTES TO FINANCIAL STATEMENTS (continued) DECEMBER 31, 2013

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

##### B. Financial Statements (continued):

- 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 Business 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.

##### C. Subsequent Events:

Middle Township Fire District No.1 has evaluated subsequent events occurring after December 31, 2013 through the date of March 29, 2014, which is the date the financial statements were available to be issued.

#### Note 3. Cash and Cash Equivalents

Type	Carrying Value
<b>Deposits:</b>	
Demand Deposits	<u>\$809,426</u>
Total Deposits	<u>\$809,426</u>
<b>Reconciliation to Governmental Fund Statements:</b>	
Governmental Funds	\$808,971
Fiduciary Funds	<u>455</u>
Total	<u>\$809,426</u>

##### Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2013, the District's bank balance of \$860,566 was insured or collateralized as follows:

Insured	\$526,280
Collateralized in the District's Name Under GUDPA (See Note 5)	<u>334,286</u>
Total	<u>\$860,566</u>



**MIDDLE TOWNSHIP FIRE DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS (continued)  
DECEMBER 31, 2013**

**Note 4. Investments**

**A. Custodial Credit Risk**

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

**B. Investment Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates that will adversely affect the 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. Maturities of investments held at December 31, 2013, are provided in the above schedule.

**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.

## MIDDLE TOWNSHIP FIRE DISTRICT NO. 1

### NOTES TO FINANCIAL STATEMENTS (continued) DECEMBER 31, 2013

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

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

##### Investment

LOSAP Investment Account	<u>\$803,506</u>
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#### Note 5. Pension Plan

##### A. Plan Description

Middle Township Fire District No.1 contributes to a cost-sharing multiple-employer defined benefit pension plan, Public Employees' Retirement System (P.E.R.S), administered by the State of New Jersey, Division of Pensions and Benefits. It provides retirement, disability, medical and death benefits to plan members and beneficiaries.

The Public Employees' Retirement System (P.E.R.S.) was established in January 1955 under the provisions of *N.J.S.A.43:15A*. This plan was set up to provide retirement, death, disability and medical benefits to certain qualified members. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

##### B. Vesting and Benefit Provisions

The vesting and benefit provisions of PERS are set by *N.J.S.A.43:15A* and *43.3B*. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Chapter 78, P.L. 2011 changed this for employees enrolled after June 28, 2011. See Note 6C below.

##### C. Significant Legislation

During the year ended June 30, 1997, legislation was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose

## MIDDLE TOWNSHIP FIRE DISTRICT NO. 1

### NOTES TO FINANCIAL STATEMENTS (continued) DECEMBER 31, 2013

#### Note 5. Pension Plan (continued):

of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by  $\frac{1}{2}$  of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the District's normal contributions to the Fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits; accordingly, the pension costs for PERS were reduced.

New Legislation signed by the Acting Governor (Chapter 133, Public Laws 2001) changed the formula for calculating retirement benefits for all current and future non-veteran retirees from N/60 to N/55 (a 9.09% increase). This legislation, signed June 29, 2001, provides that all members of the PERS will have their pensions calculated on the basis of years of credit divided by 55. It also provides that all current retirees will have their original pension recalculated under the N/55 formula. Starting February 1, 2002, pension cost of living adjustments will be based on the new original pension.

Effective June 28, 2011, Chapter 78, P.L. 2011 reformed various pension and health benefits provisions. Employees hired after June 28, 2011 and enrolled in PERS will be enrolled in a new tier, Tier 5. Full retirement for Tier 5 PERS members will be age 65 and 30 years of service. Retirees will have a maximum retirement benefit of 65% of final compensation after 30 years of service.

All cost of living adjustments are frozen until the pension fund reaches a "target funded ratio".

Chapter 78 also requires all covered employees to contribute a prescribed percentage towards their health costs.

#### D. Contribution Requirements

The contribution policy is set by *N.J.S.A.43:15A*, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and *N.J.S.A.18:66*, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provide for employee contributions of 6.5%, effective October 1, 2011, of employees' annual compensation as defined. The rate will increase over the next seven years to 7.5%. Employers are required to contribute at an actuarially determined rate for PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits and post-retirement medical premiums.

#### Note 6. Property Tax Levies

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

Year	Assessed Valuations	Total Tax Levy	Property Tax Rates
2013	\$1,638,370,805	\$1,168,736	.072
2012	1,874,786,156	1,168,740	.062
2011	1,961,424,600	1,206,082	.062
2010	2,048,351,900	1,190,465	.058

# MIDDLE TOWNSHIP FIRE DISTRICT NO. 1

## NOTES TO FINANCIAL STATEMENTS (continued) DECEMBER 31, 2013

### Note 7. Changes in Fixed Assets

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

	BALANCE DECEMBER 31, 2012	ADDITIONS	DELETIONS	*ADJUSTMENTS	BALANCE DECEMBER 31, 2013
Land	\$ 1,935,845	\$ -	\$ -	\$ -	\$ 1,935,845
Building	5,064,819				5,064,819
Equipment	<u>3,654,281</u>	<u>11,411</u>	<u>(214,740)</u>	<u>(25,485)</u>	<u>3,425,467</u>
Subtotal	10,654,945				10,426,131
Less: Accumulated					
Depreciation	<u>(3,263,344)</u>	<u>(299,266)</u>	<u>194,003</u>	<u>14,741</u>	<u>(3,353,866)</u>
Total	<u>\$ 7,391,601</u>	<u>\$ (287,855)</u>	<u>\$ (20,737)</u>	<u>\$ (10,744)</u>	<u>\$ 7,072,265</u>

\*In 2013 the District had an asset valuation performed by Industrial Appraisals.

### Note 8. Changes in Long-Term Debt

A summary of long-term debt transactions of the Middle Township Fire District No. 1 for the year ended December 31, 2013 follows:

	BALANCE DECEMBER 31, 2012	INCREASE	REDUCTIONS	BALANCE DECEMBER 31, 2013	DUE WITHIN ONE YEAR
Capital					
Leases	\$ 249,480	\$ -	\$ 79,021	\$ 170,459	\$ 83,090
Bonds Payable	<u>5,010,000</u>		<u>235,000</u>	<u>4,775,000</u>	<u>260,000</u>
Total	<u>\$5,259,480</u>	<u>\$ -</u>	<u>\$280,150</u>	<u>\$4,945,459</u>	<u>\$343,090</u>

### Capital Lease

On February 8, 2005 the District entered into a lease agreement with Oshkosh Capital to finance a 2006 Pierce Pumper Tanker truck. On October 22, 2009 the District entered into a lease agreement with Oshkosh Capital to finance a 2009 Pierce Pumper Tanker truck. The final payment on the 2006 Truck was paid during 2001. The following schedule represents a summary of the capital lease commitments as of December 31, 2012:

	Present Value of Minimum Lease Payments	Interest	Total Minimum Lease Payments
2009 Pierce Pumper Tank Truck	<u>\$170,459</u>	<u>\$13,276</u>	<u>\$183,735</u>

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2013**

**Note 8. Changes in Long-Term Debt (continued):**

The total minimum lease payments are payable as follows:

<b>Year Ending</b>	<b>Amount</b>
2014	91,867
2015	<u>91,868</u>
Total	<u>\$183,735</u>

**Note 9. Bonds Payable**

On June 14, 2007, the Middle Township Fire District No. 1 issued \$5,500,000 of General Obligation Bonds, which will be used to finance the construction of a new two-story, 19,000 square-foot fire house. The Bonds will also be used to permanently finance \$600,000 of an outstanding Bond Anticipation Note. On September 10, 2009, the Middle Township Fire District No. 1 issued \$275,000 of General Obligation Bonds which will finance additional construction to the fire house.

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	260,000	198,265	458,265
2015	270,000	185,435	455,435
2016	280,000	171,685	451,685
2017	290,000	157,435	447,435
2018	305,000	144,085	449,085
2019-2023	1,715,000	523,640	2,238,640
2024-2027	<u>1,655,000</u>	<u>142,035</u>	<u>1,797,035</u>
Total	<u>\$4,775,000</u>	<u>\$1,522,580</u>	<u>\$6,297,580</u>

**Note 10. LOSAP Program**

The LOSAP Program, more commonly known as the Length of Service Award Program was put into effect on January 19, 1998 by Governor Whitman. The LOSAP Program is a voluntary system established to provide tax-deferred income benefits to active volunteer members of an emergency service organization. The tax-deferred income benefits for emergency service volunteers come from contributions made solely by the governing body of the Fire District.

**Note 11. Fund Balance**

**General Fund** – Of the \$801,400 General Fund fund balance at December 31, 2013, \$125,000 has been assigned for subsequent year's expenditures, and \$676,400 is unassigned.

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE -**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

	ORIGINAL BUDGET	BUDGET TRANSFERS	MODIFIED BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Miscellaneous Revenues:					
Interest on Investments	\$ 275	\$ -	\$ 275	\$ 296	\$ 21
Registration Fees	115,000	-	115,000	131,668	16,668
Penalties & Fines	5,000	-	5,000	320	(4,680)
Supplemental Fire Service Grant	6,775	-	6,775	3,365	(3,410)
Sale of Assets	-	-	-	45,000	45,000
Miscellaneous	-	-	-	141	141
Total Miscellaneous Revenues Anticipated	127,050	-	127,050	180,790	53,740
Amount to be Raised by Taxation to Support the District Budget	633,200	-	633,200	633,200	-
Total Revenues	760,250	-	760,250	813,990	53,740

**EXPENDITURES**

Operating Appropriations:

Administration:

Salaries & Wages	21,600	-	21,600	21,600	-
Employee Benefits	68,000	-	68,000	82,721	(14,721)
Permits, Licenses & Fees	1,000	-	1,000	428	572
Insurance	55,000	(10,500)	44,500	30,033	14,467
Professional Services	20,000	4,500	24,500	27,592	(3,092)
Office Services	1,500	-	1,500	907	593
Advertising	2,000	-	2,000	803	1,197
Promotion	4,000	600	4,600	4,506	94
Elections	750	-	750	298	452
Membership & Dues	5,000	-	5,000	3,825	1,175
Office Supplies	4,500	1,100	5,600	5,530	70
Contingent Expenses	2,500	(2,500)	-	-	-
Total Administration	185,850	(6,800)	179,050	178,243	807

Cost of Operations:

Salaries & Wages	18,400	(6,000)	12,400	6,533	5,867
Insurance	16,000	-	16,000	10,675	5,325
Purchase of Nonbondable Assets	30,000	8,000	38,000	37,824	176
Fire Hydrant Rentals or Services	93,000	-	93,000	81,908	11,092
Fire Protection Services	42,000	-	42,000	42,000	-
Other Outside Services	4,000	-	4,000	3,551	449
Training & Education	6,000	-	6,000	500	5,500
Uniforms	20,000	2,500	22,500	22,153	347

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE -  
STATEMENT OF REVENUES AND EXPENDITURES  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

	FINAL BUDGET	BUDGET TRANSFERS	ADJUSTED FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Cost of Operations (continued):					
Operating Materials & Supplies	10,000	-	10,000	9,199	801
Oil and Fuel	10,000	800	10,800	9,115	1,685
Utilities	65,000	(11,000)	54,000	51,592	2,408
Maintenance & Repairs	140,000	-	140,000	123,117	16,883
Uniform Fire Safety Act:			-		
Salaries and Wages	120,000	7,100	127,100	127,752	(652)
Total Cost of Operations	574,400	1,400	575,800	525,919	49,881
Length of Service Award Program (LOSAP):					
Annual Contribution (P.L. 1997, c388)	45,000	5,400	50,400	50,313	87
Total Length of Service Award Program (LOSAP)	45,000	5,400	50,400	50,313	87
Total Expenditures	805,250	-	805,250	754,475	50,775
Other Financing Sources:					
Transfer from Capital Projects Fund				21,510	21,510
Excess/(Deficiency) of Revenues					
Over/(Under) Expenditures	(45,000)	-	(45,000)	81,025	126,025
Fund Balances, January 1	720,375	-	720,375	720,375	-
Fund Balances, December 31	\$ 675,375	\$ -	\$ 675,375	\$ 801,400	\$ 126,025



**MIDDLE TOWNSHIP FIRE DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE -**  
**DEBT SERVICE FUND**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

REVENUES	ORIGINAL BUDGET	BUDGET TRANSFERS	MODIFIED BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Amount to be Raised by Taxation to Support the District Budget	\$ 535,536	\$ -	\$ 535,536	\$ 535,536	\$ -
Total Revenues	535,536	-	535,536	535,536	-
EXPENDITURES					
Principal Payments:					
Capital Leases	79,021	-	79,021	79,021	-
General Obligation Bonds	235,000	-	235,000	235,000	-
Interest Payments:					
Capital Leases	12,848	-	12,848	12,848	-
General Obligation Bonds	208,667	-	208,667	208,667	-
Total Expenditures	535,536	-	535,536	535,536	-
Fund Balances, December 31, 2013	\$ -	\$ -	\$ -	\$ -	\$ -

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 1**  
**LONG-TERM DEBT**  
**SCHEDULE OF SERIAL BONDS PAYABLE**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

Issue	DATE OF ISSUE	AMOUNT OF ISSUE	ANNUAL MATURITIES		INTEREST RATE	BALANCE JANUARY 1, 2012	ISSUED	RETIRED	BALANCE DECEMBER 31, 2013
			DATE	AMOUNT					
General Obligation Bonds, 2007	6/14/07	\$ 5,500,000	2/1/14	\$ 200,000	4.250%	\$ 4,890,000	\$ -	\$ 175,000	\$ 4,715,000
			2/1/15	270,000	5.000%				
			2/1/16	280,000	5.000%				
			2/1/17	290,000	5.000%				
			2/1/18	305,000	4.000%				
			2/1/19	315,000	4.000%				
			2/1/20	330,000	4.000%				
			2/1/21	345,000	4.000%				
			2/1/22	355,000	4.000%				
			2/1/23	370,000	4.000%				
			2/1/24	390,000	4.000%				
			2/1/25	405,000	4.000%				
			2/1/26	420,000	4.000%				
			2/1/27	440,000	4.000%				
General Obligation Bonds, 2009	9/10/09	275,000	2/1/14	60,000	4.000%	120,000	-	60,000	60,000
Total						\$ 5,010,000	\$ -	\$ 235,000	\$ 4,775,000

**MIDDLE TOWNSHIP FIRE DISTRICT NO. 1**  
**LONG-TERM DEBT**  
**SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

Description	DATE OF LEASE	TERM OF LEASE	AMOUNT OF		INTEREST RATE PAYABLE	AMOUNT		AMOUNT		DUE IN 1 YEAR
			ORIGINAL ISSUE			OUTSTANDING	OUTSTANDING			
			PRINCIPAL	INTEREST		JANUARY 1, 2012	RETIRED	DECEMBER 31, 2013		
Pierce Pumper Tanker Truck	10/20/2009	7 years	\$ 528,709	\$ 114,370	5.00%	\$ 249,480	\$ 79,021	\$ 170,459	\$ 83,090	
Total						\$ 249,480	\$ 79,021	\$ 170,459	\$ 83,090	

Board of Fire Commissioners  
Middle Township Fire District No. 1  
Cape May Court House, New Jersey 08210

We have audited the basic financial statements of the Middle Township Fire District No. 1 in the County of Cape May for the year ended December 31, 2013. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

### **GENERAL COMMENTS**

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

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

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

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

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

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

The examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$3,900 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

#### **Examination of Bills**

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

**Fixed Assets Ledger**

The fixed assets ledger and depreciation schedules were updated for 2013.


**Follow-up of Prior Year Findings**

In accordance with government auditing standards, our procedures included a review of all prior year findings. The previous year audit finding has been corrected.

**Acknowledgment**

We received the complete cooperation of all the staff of the Middle Township Fire District No. 1 and we greatly appreciate the courtesies extended to the members of the audit team.

Should you have any questions, please contact us.

  
HOLMAN FRENIA ALLISON, P.C.  
Certified Public Accountants

March 29, 2014  
Medford, New Jersey