

**FIRE DISTRICT NO. 1  
OF THE TOWNSHIP OF MIDDLE**

**Financial Statements**

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

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE**  
**Financial Statements and Supplementary Schedules**  
**For the year ended December 31, 2014**  
**(With Independent Auditor's Report thereon)**

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## INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners  
Fire District No. 1 of the Township of Middle:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 1 of the Township of Middle, County of Cape May, State of New Jersey, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### *Auditors' Responsibility*

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 1 of the Township of Middle, County of Cape May, State of New Jersey, as of December 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6-8 and 32-33 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 Fire District No. 1 of the Township of Middle's basic financial statements. The long-term debt schedule of serial bonds payable and the long-term debt schedule of obligations under capital leases on pages 34 and 35 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The long-term debt schedule of serial bonds payable and the long-term debt schedule of obligations under capital leases on pages 34 and 35 is the responsibility of management and was derived from and relates 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 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 of serial bonds payable and the long-term debt schedule of obligations under capital leases is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fire District No. 1 of the Township of Middle's basic financial statements. The accompanying comparative totals for December 31, 2013 are presented for purposes of additional analysis and are not a required part of the financial statements. The comparative totals have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2015 on our consideration of the Fire District No. 1 of the Township of Middle's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fire District No. 1 of the Township of Middle's internal control over financial reporting and compliance.

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

April 27, 2015  
Toms River, New Jersey

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

Board of Fire Commissioners  
Fire District No. 1 of the Township of Middle:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities of each major fund and the aggregate remaining fund information of Fire District No. 1 of the Township of Middle, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Fire District No. 1 of the Township of Middle's basic financial statements, and have issued our report thereon dated April 27, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Fire District No. 1 of the Township of Middle's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fire District No. 1 of the Township of Middle's internal control. Accordingly, we do not express an opinion on the effectiveness of Fire District No. 1 of the Township of Middle'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 Fire District No. 1 of the Township of Middle's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 by 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*

April 27, 2015  
Toms River, 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>2014</b>	<b>2013</b>
<b>ASSETS:</b>		
Unrestricted Current Assets	\$ 821,825	\$ 808,971
Capital Assets, Net of Accumulated Depreciation	<u>7,359,706</u>	<u>7,072,265</u>
Total Assets	<u>8,181,531</u>	<u>7,881,236</u>
<b>LIABILITIES:</b>		
Current Liabilities	546,091	436,254
Noncurrent Liabilities	<u>4,657,129</u>	<u>4,602,369</u>
Total Liabilities	<u>5,203,220</u>	<u>5,038,623</u>
<b>NET POSITION:</b>		
Net Investment in Capital Assets	2,269,168	2,126,806
Unrestricted Net Position	<u>709,143</u>	<u>715,807</u>
Total Net Position	<u>2,978,311</u>	<u>2,842,613</u>
Total Liabilities and Net Position	<u>\$8,181,531</u>	<u>\$7,881,236</u>

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

	<b>2014</b>	<b>2013</b>
Expenditures Governmental Activities, Net of Program Revenues	\$(1,100,239)	\$(1,159,050)
General Revenues:		
Property Taxes	1,216,039	1,168,736
Miscellaneous Revenue	16,533	437
Sale of Assets	-	45,000
Operating Grant Revenue	<u>3,365</u>	<u>3,365</u>
Total General Revenues	<u>1,235,937</u>	<u>1,217,538</u>
Change in Net Position	<u>\$ 135,698</u>	<u>\$ 58,488</u>

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

The District's assets increased by \$135,698 for the fiscal year ended December 31, 2014 from the prior year. Of the \$2,978,311 in net position, \$2,269,168 is invested in capital assets (net of accumulated depreciation and related debt).

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

Governmental fund balances decreased by \$455 over the prior year due primarily from an increase in general operating expenses and the purchase of apparatus.

**Budgetary Highlights**

Total General Fund revenues were \$26,838 or 2.00% more than budgeted.

Total General Fund expenditures were \$97,707 less than the amount budgeted. This was primarily due to the conservative spending.

**Capital Lease Payable**

At year-end the District has \$575,538 in capital leases payable. Detailed future payment information can be found in Note 6 to the financial statements.

During the year ended December 31, 2014, the District decreased the capital lease payable by \$157,131.

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

The District's main source of revenue is property taxes. The District expects property tax revenues to stay relatively flat for the fiscal year ending December 31, 2015, with total amount to be raised at \$1,216,635. Budgeted expenditures are expected to increase .7% to \$1,474,275.

**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.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE**  
**Statement of Net Position**  
**December 31, 2014**  
**(With comparative totals for December 31, 2013)**

	<b>Governmental Activities</b>	
	<b>December 31,</b>	<b>(Memorandum Only)</b>
	<b><u>2014</u></b>	<b><u>December 31,</u></b>
		<b><u>2013</u></b>
Assets:		
Current assets:		
Cash	\$ 821,825	\$ 808,971
Total current assets	821,825	808,971
Capital assets (net of depreciation)	7,359,706	7,072,265
Total assets	8,181,531	7,881,236
Liabilities:		
Current liabilities:		
Accounts payable	20,880	7,571
Accrued interest	91,802	85,593
Current portion - capital leases	163,409	83,090
Current portion - bond obligations	270,000	260,000
Total current liabilities	546,091	436,254
Non-current liabilities:		
Bond obligations	4,245,000	4,515,000
Capital leases	412,129	87,369
Total non-current liabilities	4,657,129	4,602,369
Total liabilities	5,203,220	5,038,623
Net position:		
Net investments in capital assets	2,269,168	2,126,806
Unrestricted net position:		
Undesignated	134,000	125,000
Designated for subsequent year's expenditures	575,143	590,807
Total net position	\$ 2,978,311	\$ 2,842,613

The accompanying notes to the financial statements are an integral part of this statement.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE**  
**Statement of Activities**  
**For the year ended December 31, 2014**  
**(With comparative totals for the year ended December 31, 2013)**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities</u>	
			<u>December 31, 2014</u>	<u>(Memorandum Only) December 31, 2013</u>
Government activities:				
Operation appropriations:				
Administration	\$ (177,128)	\$ -	\$ (177,128)	\$ (178,243)
Costs of operations and maintenance	(920,810)	130,506	(790,304)	(853,055)
Operating appropriations offset with revenues	<u>(132,807)</u>	<u>-</u>	<u>(132,807)</u>	<u>(127,752)</u>
Total government activities	<u>(1,230,745)</u>	<u>130,506</u>	<u>(1,100,239)</u>	<u>(1,159,050)</u>
General revenues:				
Miscellaneous revenue			16,533	437
Sale of assets			-	45,000
Operating grant revenues			3,365	3,365
Amount raised by taxation			<u>1,216,039</u>	<u>1,168,736</u>
Total general revenues			<u>1,235,937</u>	<u>1,217,538</u>
Change in net position			135,698	58,488
Net position, January 1			<u>2,842,613</u>	<u>2,784,125</u>
Net position, December 31			<u>\$ 2,978,311</u>	<u>\$ 2,842,613</u>

The accompanying notes to the financial statements are an integral part of this statement.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2014**  
(With comparative totals for December 31, 2013)

				<u>Totals</u>	
				<u>December 31,</u>	<u>(Memorandum Only)</u>
	<u>General Fund</u>	<u>Capital</u>	<u>Debt</u>	<u>2014</u>	<u>December 31,</u>
		<u>Projects Fund</u>	<u>Service Fund</u>		<u>2013</u>
Assets:					
Current assets:					
Cash	\$ 821,825	\$ -	\$ -	\$ 821,825	\$ 808,971
Total assets	<u>821,825</u>	<u>-</u>	<u>-</u>	<u>821,825</u>	<u>808,971</u>
Liabilities, equity and other credits:					
Accounts payable	20,880	-	-	20,880	7,571
Total liabilities	<u>20,880</u>	<u>-</u>	<u>-</u>	<u>20,880</u>	<u>7,571</u>
Fund balances:					
Assigned for:					
Subsequent year's expenditures	134,000	-	-	134,000	125,000
Unassigned, reported in:					
General fund	666,945	-	-	666,945	676,400
Total fund balance	<u>800,945</u>	<u>-</u>	<u>-</u>	<u>800,945</u>	<u>801,400</u>
Total liabilities and fund balance	<u>\$ 821,825</u>	<u>\$ -</u>	<u>\$ -</u>		
Amounts reported for governmental activities in the statement of net position (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 \$11,197,119 and the accumulated depreciation is \$3,837,413.				7,359,706	7,072,265
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported as liabilities in the funds.				(5,090,538)	(4,945,459)
Accrued interest not recorded in current financial statements.				(91,802)	(85,593)
				<u>\$ 2,978,311</u>	<u>\$ 2,842,613</u>

The accompanying notes to the financial statements are an integral part of this statement.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the year ended December 31, 2014**  
**(With comparative totals for the year ended December 31, 2013)**

				<b>Totals</b>	
	<b><u>General Fund</u></b>	<b><u>Capital Projects Fund</u></b>	<b><u>Debt Service Fund</u></b>	<b><u>December 31, 2014</u></b>	<b>(Memorandum Only) <u>December 31, 2013</u></b>
Revenues:					
Miscellaneous anticipated revenue:					
Investment income	\$ 940	\$ -	\$ -	\$ 940	\$ 296
Sale of assets	-	-	-	-	45,000
Other revenue	15,593	-	-	15,593	141
Total miscellaneous revenues	16,533	-	-	16,533	45,437
Operating grant revenues:					
Supplemental fire service act	3,365	-	-	3,365	3,365
Total operating grant revenue	3,365	-	-	3,365	3,365
Miscellaneous revenues offset with appropriations:					
Uniform fire safety act revenues:					
Annual registration fee	116,696	-	-	116,696	131,668
Penalties and fines	13,810	-	-	13,810	320
Total uniform fire safety act revenues	130,506	-	-	130,506	131,988
Total miscellaneous revenues offset with appropriations	130,506	-	-	130,506	131,988
Total revenues	150,404	-	-	150,404	180,790
Amount raised by taxation to support district budget	576,685		639,354	1,216,039	1,168,736
Total anticipated revenues	727,089	-	639,354	1,366,443	1,349,526
Expenditures:					
Operating appropriations:					
Administration:					
Salaries and wages	26,689	-	-	26,689	28,133
Fringe benefits	87,505	-	-	87,505	82,721
Other expenditures:					
Insurance	30,662	-	-	30,662	30,033
Permits, licenses and fees	453	-	-	453	428
Professional fees	19,919	-	-	19,919	27,592
Office services	279	-	-	279	907
Advertising	783	-	-	783	803
Promotion	3,496	-	-	3,496	4,506
Elections	322	-	-	322	298
Membership/dues	2,876	-	-	2,876	3,825
Office supplies	4,144	-	-	4,144	5,530
Total administration	177,128	-	-	177,128	184,776

The accompanying notes to the financial statements are an integral part of this statement.

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the year ended December 31, 2014**  
**(With comparative totals for the year ended December 31, 2013)**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u> (Memorandum Only)	
				<u>December 31, 2014</u>	<u>December 31, 2013</u>
Cost of operations and maintenance:					
Other expenditures:					
Insurance	10,221	-	-	10,221	10,675
Maintenance and repairs	114,708	-	-	114,708	123,117
Rental charges	96,440	-	-	96,440	81,908
Fire protection services	42,000	-	-	42,000	42,000
Other outside services	5,273	-	-	5,273	3,551
Training and education	5,886	-	-	5,886	500
Uniforms	10,881	-	-	10,881	22,153
Operating materials and supplies	5,598	-	-	5,598	9,199
Oil and fuel	10,468	-	-	10,468	9,115
Utilities	44,112	-	-	44,112	51,592
Other non-bondable assets	14,354	-	-	14,354	37,824
Total cost of operations and maintenance	359,941	-	-	359,941	391,634
Operating appropriations offset with revenues:					
Salaries and wages	132,807	-	-	132,807	127,752
Total operating appropriations offset with revenues	132,807	-	-	132,807	127,752
Length of service award program	57,668	-	-	57,668	50,313
Total operating appropriations	727,544	-	-	727,544	754,475
Capital expenditures	-	562,210	-	562,210	-
Debt service for capital appropriations:					
Bond obligations	-	-	260,000	260,000	235,000
Interest on bond obligations	-	-	198,265	198,265	208,667
Capital leases	-	-	157,133	157,133	79,021
Interest on capital leases	-	-	23,956	23,956	12,848
Total debt service for capital appropriations	-	-	639,354	639,354	535,536
Total governmental expenditures	727,544	562,210	639,354	1,929,108	1,290,011
Other financing sources and uses:					
Proceeds from capital lease	-	562,210	-	562,210	-
Total other financing sources and uses:	-	562,210	-	562,210	-
Excess of revenues over expenditures	(455)	-	-	(455)	59,515
Fund balance, January 1	801,400	-	-	801,400	741,885
Fund balance, December 31	<u>\$ 800,945</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 800,945</u>	<u>\$ 801,400</u>

The accompanying notes to the financial statements are an integral part of this statement.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures and Changes in Fund Balance in**  
**the Governmental Funds to the Statement of Activities**  
**December 31, 2014**

Total net changes in Fund Balance-Governmental Funds (B-2)	\$	(455)
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Amounts reported for governmental activities in the statement of activities (A-2) are different because:

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

Capital Outlays-General Fund	5,046	
Capital Outlays-Capital Project Fund	562,210	
Adjustment to capital assets for revaluation	17,545	
Depreciation Expense	(297,360)	287,441

Capital leases are reported in the 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. (562,210)

Accrual of interest on capital leases and bonds is not an expenditure in the governmental funds, but the adjustment is charged to expense and is reported in the statement of activities.

Prior year	85,593	
Current year	(91,802)	(6,209)

Repayment of principal on long-term liabilities 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.

Principal payments made on long-term liabilities during the year ended December 31, 2014 consist of the following:

Bonds	260,000	
Capital lease	157,131	417,131

Changes in net position of governmental activities	\$	135,698
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The accompanying notes to the financial statements are an integral part of this statement.



**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**December 31, 2014**  
**(With comparative totals for December 31, 2013)**

	<b>Length of Service Award Program</b>	<b>Totals</b>	
		<b>December 31, 2014</b>	<b>(Memorandum Only) December 31, 2013</b>
Assets:			
Investments	\$ 912,945	\$ 912,945	\$ 803,506
Investment receivable	1,624	1,624	-
Total assets	<u>914,569</u>	<u>914,569</u>	<u>803,506</u>
Reserved:			
For Length of Service Award Program	<u>914,569</u>	<u>914,569</u>	<u>803,506</u>
Total net position	<u>\$ 914,569</u>	<u>\$ 914,569</u>	<u>\$ 803,506</u>

The accompanying notes to the financial statements are an integral part of this statement.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the year ended December 31, 2014**  
**(With comparative totals for the year ended December 31, 2013)**

	<b>Length of Service Award Program</b>	<b>Totals</b>	
		<b>December 31, 2014</b>	<b>(Memorandum Only) December 31, 2013</b>
Revenues and other financing sources:			
District contributions	\$ 57,668	\$ 57,668	\$ 50,313
Total contributions	57,668	57,668	50,313
Investment earnings:			
Interest	63,879	63,879	163,430
Total investment earnings	63,879	63,879	163,430
Total revenues and other financing sources	121,547	121,547	213,743
Expenditures:			
Withdrawals and administrative fees	10,484	10,484	31,820
Total expenditures	10,484	10,484	31,820
Excess of revenues and other financing sources over expenditures	111,063	111,063	181,923
Net position, January 1	803,506	803,506	621,583
Net position, December 31	\$ 914,569	\$ 914,569	\$ 803,506

The accompanying notes to the financial statements are an integral part of this statement.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements**  
**For the year ended December 31, 2014**

**NOTE 1: GENERAL INFORMATION**

**A. Description of Reporting Entity**

Fire District No. 1 of the Township of Middle is a political subdivision of the Township of Middle, County of Cape May, State of New Jersey. A board of five commissioners oversees all of the operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of February.

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

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

**B. District Officials**

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

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
Keith P. Arenberg	2017
Mike Butterfield	2015
Michael R. McNulty Sr.	2016
Joseph Trombetta	2017
Philip N. Winter	2015

**C. Accounting Records**

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

**D. Minutes**

Minutes were recorded for meetings and contained approvals for disbursements.

**E. Component Units**

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

- ♦ the organization is legally separate (can sue or be sued in their own name)

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

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

**E . Component Units (continued)**

- ◆ the District holds the corporate powers of the organization
- ◆ the District appoints a voting majority of the organization's board
- ◆ the District is able to impose its will on the organization
- ◆ the organization has the potential to impose a financial benefit/burden on the District
- ◆ there is a fiscal dependency by the organization on the District

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

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

**A. Basis of Presentation**

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

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

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

**B. Fund Accounting**

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

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

**B. Fund Accounting (continued)**

Governmental Funds:

*General Fund*

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

*Capital Projects Fund*

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

*Debt Service Fund*

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

Fiduciary Funds:

Fiduciary funds are used to account for assets held by a governmental entity for other parties (either as trustee or as an agent) and that cannot be used to finance the governmental entity's own operating programs which includes private purpose trust funds and agency funds.

*Trust and Agency Fund*

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

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

*District Wide Financial Statements*

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

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

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

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

Net position is restricted when constraints placed on it is either externally imposed or imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

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

**D. Basis of Accounting**

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

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

In its accounting and financial reporting, the Fire District No. 1 of the Township of Middle follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB).

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

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

**E. Budgets and Budgetary Accounting**

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

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

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

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

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

**F. Encumbrances**

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

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

**G. Cash and Cash Equivalents**

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

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

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

**G. Cash and Cash Equivalents (continued)**

protect governmental units from a loss of funds on deposit with a failed banking institution in the State of New Jersey.

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

**H. Prepaid Expenses**

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

**I. Debt Limitation**

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

**J. Capital Assets**

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

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

Building and Improvements	5 to 40 Years
Equipment	5 to 15 Years

**K. Inventory, Materials and Supplies**

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



**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

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

**L. Interfund Receivable/Payable**

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

**M. Revenues and Expenditures**

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

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

**N. Fire District Taxes**

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

**O. Fund Equity**

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Fire District No. 1 of the Township of Middle classifies governmental fund balances as follows:

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

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

**O. Fund Equity (continued)**

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

**P. Net Position**

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

- Net Investment in Capital Assets – This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

**Q. Use of Estimates**

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

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

Recently Issued and Adopted Accounting Pronouncements

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

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

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

**R. Impact of Recently Issued Accounting Principles (continued)**

15, 2012. The adoption of GASB 65 does not have any impact on the District's financial statements.

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

**S. Fair Value Measurement**

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

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

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

*Level III* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values. Subsequent to initial recognition, the District may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

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

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

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

**S. Fair Value Measurement (continued)**

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

The table on the following page sets forth by level, within the fair value hierarchy, the LOSAP's assets at fair value as of December 31, 2014.

**T. Comparative Totals**

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

**U. Subsequent Events**

Fire District No. 1 of the Township of Middle has evaluated subsequent events occurring after December 31, 2014 through the date of April 27, 2015, which is the date the financial statements were available to be issued.

**NOTE 3: CASH AND CASH EQUIVALENTS**

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

**Deposits:**

Demand Deposits	\$ <u>821,825</u>
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Total Deposits	\$ <u>821,825</u>
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**Reconciliation to Governmental Fund Statements:**

Governmental Funds	\$ <u>821,825</u>
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Total	\$ <u>821,825</u>
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**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**NOTE 3: CASH AND CASH EQUIVALENTS (continued)**

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2014, the District's bank balance of \$831,851 was insured or collateralized as follows:

Insured	\$ 444,961
Collateralized in the District's name under GUDPA	<u>386,890</u>
Total	<u><u>\$ 831,851</u></u>

**NOTE 4: INVESTMENTS**

**A. Custodial Credit Risk**

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

**B. Investment Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates that will adversely affect the 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, 2014, are provided in the below 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;

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**NOTE 4: INVESTMENTS (continued)**

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

- 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.

As of December 31, 2014, the Fire District had the following investments and maturities:

<i>Assets at Fair Value as of December 31, 2014</i>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fiduciary Funds:				
Fixed Account Investment Contract	\$ -	\$ -	\$ 912,945	\$ 912,945
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 912,945</u>	<u>\$ 912,945</u>

**Level III Gains and Losses**

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

	<b>Level III Assets Year Ended 12/31/14</b>
Balance, beginning of year	\$ 803,506
Purchases, sales, issuances and settlements (net)	45,560
Gains & (Losses)	<u>63,879</u>
Balance, end of year	<u>\$ 912,945</u>

**NOTE 5: CAPITAL ASSETS**

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**NOTE 5: CAPITAL ASSETS (continued)**

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Adjustments/ Deletions</b>	<b>Ending Balance</b>
Governmental Activities:				
Land	1,719,445	-	-	1,719,445
Buildings and improvements	5,281,219	-	-	5,281,219
Equipment	3,425,467	567,256	203,732	4,196,455
Totals at historical cost	10,426,131	567,256	203,732	11,197,119
Less: accumulated depreciation				
Buildings and improvements	(883,056)	(141,171)	-	(1,024,227)
Equipment	(2,470,810)	(156,189)	(186,187)	(2,813,186)
Total accumulated depreciation	(3,353,866)	(297,360)	(186,187)	(3,837,413)
Government activities capital assets, net	<u>\$ 7,072,265</u>	<u>\$ 269,896</u>	<u>\$ 17,545</u>	<u>\$ 7,359,706</u>

**NOTE 6: LONG-TERM OBLIGATIONS**

During the year ended December 31, 2014, the following changes occurred in long-term obligations:

	<b>Principal Outstanding January 1, 2014</b>	<b>Increases</b>	<b>Decreases</b>	<b>Principal Outstanding December 31, 2014</b>	<b>Due Within One Year</b>
General Serial Bonds	\$ 4,775,000	\$ -	\$ (260,000)	\$ 4,515,000	\$ 270,000
Obligations under Capital Lease	170,459	562,210	(157,131)	575,538	163,409
Total Governmental Activities Long-term Liabilities	<u>\$ 4,945,459</u>	<u>\$ 562,210</u>	<u>\$ (417,131)</u>	<u>\$ 5,090,538</u>	<u>\$ 433,409</u>

**A. Bonds Payable**

On June 14, 2007, Fire District No. 1 of the Township of Middle 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.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**NOTE 6: LONG-TERM OBLIGATIONS (continued)**

**A. Bonds Payable (continued)**

Principal and interest due on bonds outstanding is as follows:

Year Ending December 31,	Principal	Interest	Total
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	315,000	131,685	446,685
2020-2024	1,790,000	452,926	2,242,926
2025-2027	1,265,000	81,064	1,346,064
Total	<u>\$ 4,515,000</u>	<u>\$ 1,324,315</u>	<u>\$ 5,839,315</u>

**B. Capital Leases Payable**

On October 22, 2009 the District entered into a lease agreement with Oshkosh Capital to finance a 2009 Pierce Pumper Tanker truck. On March 4, 2013, the District entered into a lease agreement with Peirce Manufacturing to finance a 2013 Pierce Pumper Tanker Truck. The following schedule represents a summary of the capital lease commitments as of December 31, 2014:

Year Ending December 31,	Principal	Interest	Total
2015	\$ 163,409	\$ 17,680	\$ 181,089
2016	78,093	11,127	89,221
2017	80,202	9,019	89,221
2018	82,367	6,854	89,221
2019	84,591	4,630	89,221
2020	86,875	2,346	89,221
	<u>\$ 575,538</u>	<u>\$ 51,655</u>	<u>\$ 627,193</u>

**NOTE 7: LENGTH OF SERVICE AWARDS PROGRAM**

The District has a contractual agreement with volunteer firefighters to reward them based on length of service to ensure continued service.

The Board of Commissioners had a Length of Service Award reserve of approximately \$912,945 as of December 31, 2014.

This is not a pension plan as described under the Employee Retirement Security Act and, therefore, is not guaranteed to the volunteers until they reach the age 65.



**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**NOTE 8: FUNDING**

The activities of the Board of Commissioners are primarily funded by the striking of the fire tax on the property owners of the Fire District, as provided for by the state statute. For the year ended December 31, 2014, the fire tax rate on the Fire District No. 1 was approximately \$.074 per \$100 of assessed valuation.

The tax revenue is supplemented by income earned on surplus funds invested in a money market fund and investments during the year. The District also participates in the Supplemental Fire Services Program and received a basic entitlement grant of approximately \$3,365.

**NOTE 9: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

**Property and Liability Insurance**

The District maintains commercial insurance coverage for property, liability and surety bonds. Insurance coverage was maintained in amounts consistent with prior years. The District did not have any claims that exceeded coverage.

**NOTE 10: FUND BALANCE**

**General Fund** – Of the \$800,945 General Fund fund balance at December 31, 2014, \$134,000 has been assigned to be designated for subsequent year's expenditures; and \$666,945 is unassigned.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE**  
**Budgetary Comparison Schedule**  
**For the year ended December 31, 2014**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 200	\$ 200	\$ 940	\$ 740
Other revenue	-	-	15,593	15,593
Total miscellaneous revenues	200	200	16,533	16,333
Operating grant revenues:				
Supplemental fire service act	3,365	3,365	3,365	-
Total operating grant revenue	3,365	3,365	3,365	-
Miscellaneous revenues offset with appropriations:				
Uniform fire safety act revenues:				
Annual registration fee	115,000	115,000	116,696	1,696
Penalties and fines	5,000	5,000	13,810	8,810
Total uniform fire safety act revenues	120,000	120,000	130,506	10,506
Total miscellaneous revenues offset with appropriations	120,000	120,000	130,506	10,506
Total revenues	123,565	123,565	150,404	26,839
Amount raised by taxation to support district budget	1,216,040	1,216,040	1,216,039	(1)
Total anticipated revenues	1,339,605	1,339,605	1,366,443	26,838
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	21,600	21,600	26,689	(5,089)
Fringe benefits	67,000	67,000	87,505	(20,505)
Other expenditures:				
Insurance	50,000	50,000	30,662	19,338
Permits, licenses and fees	1,000	1,100	453	647
Professional fees	21,000	25,100	19,919	5,181
Office services	1,500	1,500	279	1,221
Advertising	2,000	2,000	783	1,217
Promotion	4,500	4,500	3,496	1,004
Elections	750	750	322	428
Membership/dues	5,000	5,000	2,876	2,124
Office supplies	5,000	5,000	4,144	856
Contingent expense	2,500	-	-	-
Total administration	181,850	183,550	177,128	6,422

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE**  
**Budgetary Comparison Schedule**  
**For the year ended December 31, 2014**

	<u><b>Original Budget</b></u>	<u><b>Modified Budget</b></u>	<u><b>Actual Budgetary Basis</b></u>	<u><b>Variance</b></u>
Cost of operations and maintenance:				
Salaries and wages	18,400	8,400	-	8,400
Other expenditures:				
Insurance	21,000	21,000	10,221	10,779
Maintenance and repairs	120,000	120,000	114,708	5,292
Rental charges	93,000	93,000	96,440	(3,440)
Fire protection services	42,000	42,000	42,000	-
Other outside services	4,000	5,500	5,273	227
Training and education	4,000	6,000	5,886	114
Uniforms	20,000	20,000	10,881	9,119
Operating materials and supplies	8,000	8,000	5,598	2,402
Oil and fuel	10,000	11,400	10,468	932
Utilities	60,000	48,400	44,112	4,288
Other non-bondable assets	60,000	60,000	14,354	45,646
Total cost of operations and maintenance	<u>460,400</u>	<u>443,700</u>	<u>359,941</u>	<u>83,759</u>
Operating appropriations offset with revenues:				
Salaries and wages	<u>120,000</u>	<u>135,000</u>	<u>132,807</u>	<u>2,193</u>
Total operating appropriations offset with revenues	<u>120,000</u>	<u>135,000</u>	<u>132,807</u>	<u>2,193</u>
Length of service award program	<u>63,000</u>	<u>63,000</u>	<u>57,668</u>	<u>5,332</u>
Capital appropriations	<u>-</u>	<u>-</u>	<u>562,210</u>	<u>(562,210)</u>
Debt service for capital appropriations:				
Bond obligations	260,000	260,000	260,000	-
Interest on bond obligations	198,265	198,265	198,265	-
Capital leases	157,133	157,133	157,133	-
Interest on capital leases	<u>23,957</u>	<u>23,957</u>	<u>23,956</u>	<u>1</u>
Total debt service for capital appropriations	<u>639,355</u>	<u>639,355</u>	<u>639,354</u>	<u>1</u>
Total operating appropriations	<u>1,464,605</u>	<u>1,464,605</u>	<u>1,929,108</u>	<u>(464,503)</u>
Other financing sources and uses:				
Proceeds from capital lease	<u>-</u>	<u>-</u>	<u>562,210</u>	<u>562,210</u>
Total other financing sources and uses:	<u>-</u>	<u>-</u>	<u>562,210</u>	<u>562,210</u>
Excess (efficiency) of revenues over (under) expenditures	(125,000)	(125,000)	(455)	124,545
Fund balance, January 1	<u>801,400</u>	<u>801,400</u>	<u>801,400</u>	<u>-</u>
Fund balance, December 31	<u><u>\$ 676,400</u></u>	<u><u>\$ 676,400</u></u>	<u><u>\$ 800,945</u></u>	<u><u>\$ 124,545</u></u>

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE**  
**Long-Term Debt**  
**Schedule of Serial Bonds Payable**  
**For the year ended December 31, 2014**

Issue	Date of Issue	Amount of Issue	Annual Maturities Date	Amount	Interest Rate	Balance January 1, 2014	Issued	Retired	Balance December 31, 2014
General Obligation Bonds, 2007	6/14/07	\$ 5,500,000	2/1/15	\$ 270,000	5.000%	\$ 4,715,000		\$ 200,000	\$ 4,515,000
			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%	60,000	-	60,000	-
	Total					\$ 4,775,000	\$ -	\$ 260,000	\$ 4,515,000

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MIDDLE**  
**Long-Term Debt**  
**Schedule of Obligations Under Capital Leases**  
**For the year ended December 31, 2014**

Description	Date of Lease	Term of Lease	Amount of Original Issue		Interest Rate Payable	Amount Outstanding January 1, 2014		Issued	Retired	Amount Outstanding December 31, 2014	
			Principal	Interest							
Pierce Pumper Tanker Truck	10/20/2009	7 years	\$ 528,709	\$ 114,370	5.00%	\$	170,459	\$ -	\$ 83,090	\$	87,369
	3/4/2013	7 years	\$ 562,210	\$ 62,335	5.00%			562,210	74,041		488,169
Total						\$	170,459	\$ 562,210	\$ 157,131	\$	575,538

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

We have audited the basic financial statements of the Fire District No. 1 of the Township of Middle, County of Cape May, State of New Jersey for the year ended December 31, 2014. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

### GENERAL COMMENTS

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

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

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

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

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

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

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

**Examination of Bills**

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

**Property, Plant & Equipment**

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

**Acknowledgment**

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

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

Should you have any questions, please contact us.

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

April 27, 2015  
Toms River, New Jersey