

NOTES TO THE FINANCIAL STATEMENTS

TOWNSHIP OF MONTGOMERY FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1: Summary of Significant Accounting Policies

Description of Reporting Entity - Fire District No. 2 of the Township of Montgomery is a political subdivision of the Township of Montgomery, Somerset County, New Jersey. It was formed through the adoption of a Township ordinance. A board of five commissioners oversees all operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of every February.

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

Component Units - GASB Statement No. 14, The Financial Reporting Entity, and GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, provide guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statement No. 14 and No. 39. In addition, GASB Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and NO. 34, provides additional guidance for organizations that do not meet the financial accountability criteria for inclusion as component units but that nevertheless should be included because the primary government's management determines that it would be misleading to exclude them. As of December 31, 2014, it has been determined by the Fire District that no component units exist.

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

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

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

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

TOWNSHIP OF MONTGOMERY FIRE DISTRICT NO. 2
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NOTE 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Measurement Focus

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

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

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

TOWNSHIP OF MONTGOMERY FIRE DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS
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NOTE 1: Summary of Significant Accounting Policies (Continued)

Budgets / Budgetary Control (Continued)

Amounts reported under "final budget" on Exhibit C-1 and D-2 includes modifications to the adopted budgets that were made during the year as approved by the Board of Commissioners.

Cash, Cash Equivalents and Investments - Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury, agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost plus accrued interest at maturity. All other investments are stated at fair value.

New Jersey municipal units 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 the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 14A: 5-15.1 provides a list of investments which may be purchased by New Jersey municipal units.

N.J.S.A. 17: 9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include state or federally chartered financial institutions that are FDIC insured or by any other agency of the United States which insures deposits made in public depositories. All public depositories must pledge collateral, having a market value at least equal to five percent of the 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.

Inventories and Prepaid Expenses - Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in governmental fund types is recorded as expenditures when purchased rather than when consumed.

Inventories recorded on the district-wide financial statements are recorded as expenditures when consumed rather than when purchased. As of December 31, 2014, no inventories exist.

Prepaid expenses recorded in the governmental fund types, which benefit future periods, are recorded as expenditures during the year of purchase. Prepaid expenses recorded on the district-wide financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2014.

Interfunds - Short-term inter-fund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Fire District and that are due within one year. These amounts are eliminated in the governmental column of the Statement of Net Position.

Capital Assets - General capital assets result from expenditures in the governmental funds. These assets are reported in the District-wide Statement of Net Position but are not reported in the Fund Financial Statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Fire District maintains a capitalization threshold of \$5,000.00. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 1: Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Vehicles	5-10 Years
Firefighting Equipment	5 Years

N.J.S.A. 40A:14-84 governs the procedures for the acquisition of property and equipment for Fire Districts and N.J.S.A. 40A:14-85 to 87 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.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities, and long-term obligations are reported in the district-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from the governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available finance resources. Bonds are recognized as a liability on the fund financial statements when due.

Net Position - Net position represent the difference between assets and liabilities. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as committed when there are limitations imposed on their use either through the enabling legislation adopted by the Fire District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Fire District applies committed resources when an expense is incurred for purposes for which both committed and unassigned net assets are available.

Fund Balance - The Fire District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the Fire District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Fire District's classifications and policies for determining such classifications are as follows:

Non-spendable -The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted -The restricted fund balance classification includes amounts that can be spent only for the specific purposes. Such restrictions or constraints are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 1: Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

Committed - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Fire District's highest level of decision-making authority, which, for the Fire District, is the Board of Commissioners. Such formal action consists of an affirmative vote by the Board of Commissioners, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Commissioners removes or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - The assigned fund balance classification includes amounts that are constrained by the Fire District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the Board of Commissioners.

Unassigned - The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative amount in the unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the Fire District to spend restricted fund balances first. Moreover, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the Fire District to spend fund balances, if appropriate, in the following order: committed, assigned, and then unassigned.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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NOTE 2: Cash and Cash Equivalents

Custodial Credit Risk Related to Deposits – Custodial credit risk is the risk that, in the event of a bank failure, the Fire District's deposits might not be recovered. Although the Fire District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:19-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Fire District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Fire District relative to the happening of a future condition. Such funds are classified as uninsured and collateralized. Of the Fire District's amount on deposit of \$1,835,672, as December 31, 2014, \$250,000 was insured under FDIC and the remaining balance of \$1,585,672 was collateralized under GUDPA.

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

As of December 31, 2014 the District's cash accounts consisted of:

	<u>2014</u>	<u>2013</u>
PNC Bank: Operating	\$ 102,810	\$ 102,596
PNC Bank: Capital/Equity	1,060,494	852,147
PNC Bank: LOSAP	21,176	21,170
TD Bank: Operating	30,222	59,154
TD Bank: Capital/Equity	617,970	588,560
First Bank: Capital/Equity	2,500	0
Hopewell Valley Bank: Capital/Equity	500	0
	<u>\$ 1,835,672</u>	<u>\$ 1,623,627</u>

The cash deposits held at financial institutions are classified as to credit risk by the following three categories described below:

<u>Category 1</u>	Deposits which are covered by FDIC, or collateralized by securities held by the Fire District or by its agent, in the Fire District's name.	\$ 250,000
<u>Category 2</u>	Deposits which are collateralized with securities held by the pledging public depository's trust department or agent, in the Fire District's name.	\$ 1,585,672
<u>Category 3</u>	Deposits which are not collateralized or insured.	\$ - 0 -

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DECEMBER 31, 2014

NOTE 3: Property Tax Levies

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

<u>Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2014	\$ 1,867,903,430	\$ 737,750	\$.042
2013	1,844,512,446	791,800	.043
2012	1,840,323,169	769,300	.042
2011	1,840,098,671	766,800	.042
2010	1,855,095,760	826,800	.045

NOTE 4: Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows:

	<u>Balance Jan. 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance Dec. 31, 2014</u>
Vehicles	\$ 3,637,890	\$ -	\$ -	\$ 3,637,890
Firefighting Equipment	<u>667,993</u>	<u>54,910</u>	<u>-</u>	<u>772,903</u>
Total Capital Assets being Depreciated	4,305,883	54,910	-	4,360,793
Less Accumulated Depreciation:				
Vehicles	2,673,519	250,207	-	2,923,726
Firefighting Equipment	<u>634,855</u>	<u>17,084</u>	<u>-</u>	<u>651,939</u>
Total Accumulated Depreciation	3,308,374	267,291	-	3,575,665
Total Capital Assets being Depreciated, net of Accumulated Depreciation	<u>997,509</u>	<u>(212,381)</u>	<u>-</u>	<u>785,128</u>
Capital Assets, net	<u>\$ 997,509</u>	<u>\$ (212,381)</u>	<u>\$ -</u>	<u>\$ 785,128</u>

* Depreciation expense was charged to governmental functions as follows:

Cost of Operations and Maintenance	\$ 267,291
Cost of Appropriations Offset with Revenues	<u>-</u>
Total Depreciation Expense	<u>\$ 267,291</u>

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NOTE 5: Leases

Lease Obligations – At December 31, 2014, the Fire District had a lease agreement in effect for the following:

Operating:

Buildings for the District Office and Housing of Fire Apparatus

Rental payments under the operating lease for the year ended December 31, 2014 were \$192,000.00.

NOTE 6: Risk Management

The Fire 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 Fire District maintains commercial insurance coverage for property, liability and surety bonds.

NOTE 7: Interfund Receivables and Payables

As of December 31, 2014, no inter-fund receivables or payables existed.

NOTE 8: FUND BALANCES

COMMITTED

For Future Capital Outlays - These funds are committed for capital expenditures to be made in future years. When the Fire District desires to utilize these funds in their annual budget, a capital resolution must be passed by the Board of Fire Commissioners prior to any expenditure against a capital appropriation. As of December 31, 2014, the fund balance is \$1,144,965.

ASSIGNED

General Fund – Subsequent Year's Expenditures – The Fire District has appropriated and assigned a portion of the general fund as of December 31, 2014, \$25,000 will be utilized on the 2015 Fire District Budget.

UNASSIGNED

General Fund – These funds are unassigned and represent funds that have not been restricted, committed or assigned for a specific purpose. As of December 31, 2014 the balance is \$432,906.

NOTE 9: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE

For the year ended December 31, 2014, the Fire District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions", GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", GASB issued Statement No. 63, "Financial Reporting of Deferred Outlaws of Resources, Deferred Inflows of Resources, and Net Position" and

TOWNSHIP OF MONTGOMERY FIRE DISTRICT NO. 2
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NOTE 9: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE (Continued)

GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities". GASB Statement No. 34 creates new basic financial statements for reporting the Fire District's financial activities. The financial statements now include district-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type.

The beginning net position amount for governmental activities reflects the following changes required by GASB Statement No. 34:

Fund Balances January 1, 2014	\$ 1,355,360
Prepaid Expenses	26,273
Capital Assets, net of Accumulated Depreciation	997,509
Long-term Liabilities	<u>-</u>
Governmental Activities Net Assets, January 1, 2014	<u>\$ 2,379,142</u>

NOTE 10: LENGTH OF SERVICE AWARD PROGRAMS

The Fire District's Length of Service Awards Program ("LOSAP") was created by a Fire District Resolution adopted pursuant to Section 457 (e)(11)(13) of the Internal Revenue Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Township of Montgomery Fire District No. 2 approved the adoption of the Plan at the annual election held on February 20, 1999 and the first year of eligibility for entrance into the Plan by qualified volunteers was calendar year 1999. The Plan provides tax deferred income benefits to active volunteer firefighters.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Fire District or its creditors.

As required by N.J.A.C. 5:30-14.48, the Fire District must have an annual review its LOSAP performed in accordance with Statements of Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

TOWNSHIP OF MONTGOMERY FIRE DISTRICT NO. 2

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2014

	ORIGINAL BUDGET	BUDGET CHANGES/ TRFRS	FINAL BUDGET	2014 ACTUAL	VARIANCE
<u>REVENUES:</u>					
Miscellaneous Anticipated Revenues:					
Interest on Deposits	\$ 2,500	\$ -	2,500	\$ 259	\$ (2,241)
Fund Balance Appropriated	20,000		20,000	20,000	-
Total Miscellaneous Anticipated Revenues	\$ 22,500	\$ -	\$ 22,500	\$ 20,259	\$ (2,241)
Operating Grant Revenue					
Supplemental Fire Services Act	1,779	-	1,779	1,779	-
Total Revenues and Fund Balance Utilized	\$ 24,279	\$ -	\$ 24,279	\$ 22,038	\$ (2,241)
Amount to be Raised by Taxation to Support the District Budget	837,750		837,750	837,750	-
Total Anticipated Revenues	\$ 862,029	\$ -	\$ 862,029	\$ 859,788	\$ (2,241)

(Continued)

See accompanying Accountant's Report and Notes

TOWNSHIP OF MONTGOMERY FIRE DISTRICT NO. 2

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2014

	ORIGINAL BUDGET	BUDGET CHANGES/ TRFRS	FINAL BUDGET	2014 ACTUAL	VARIANCE
EXPENDITURES:					
Operating & Administration:					
Advertising	\$ 2,000	\$ -	\$ 2,000	\$ 905	\$ 1,095
Office Expense	11,000		11,000	9,878	1,122
Election Expense	800		800	510	290
Professional Services	30,000		30,000	25,500	4,500
Total Administration	\$ 43,800	\$ -	\$ 43,800	\$ 36,793	\$ 7,007
Cost of Operations and Maintenance:					
Other Expenses:					
Apparatus Housing	\$ 192,000	\$ -	\$ 192,000	\$ 192,000	\$ -
Insurance	71,950	5,000	76,950	76,424	526
Training/Education	64,350	(11,000)	53,350	41,690	11,660
Operating Costs	149,000	(22,000)	127,000	122,783	4,217
Supplies (Equip. Acqu.)	50,150	28,000	78,150	76,526	1,624
Supplemental Fire Service Grant	1,779		1,779	1,779	-
Contingency	10,000		10,000	-	10,000
Total Cost of Operations and Maintenance	\$ 539,229	\$ -	\$ 539,229	\$ 511,202	\$ 28,027
EMS Equipment	4,000		4,000	3,589	411
Length of Service Award Program	45,000		45,000	45,000	-
Total Operating Appropriations	\$ 632,029	\$ -	\$ 632,029	\$ 596,584	\$ 35,445

(Continued)

See accompanying Accountant's Report and Notes

TOWNSHIP OF MONTGOMERY FIRE DISTRICT NO. 2

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2014

	ORIGINAL BUDGET	BUDGET CHANGES/ TRFRS	FINAL BUDGET	2014 ACTUAL	VARIANCE
Capital Appropriations:					
Intersection Control Devices	\$ -	\$ -	\$ -	\$ -	\$ -
Res-Future Capital Outlay	230,000		230,000	230,000	-
Total Capital Appropriations	\$ 230,000	\$ -	\$ 230,000	\$ 230,000	\$ -
Total Expenditures	\$ 862,029	\$ -	\$ 862,029	\$ 826,584	\$ 35,445
Excess of Revenue Over Expenditures	\$ -	\$ -	\$ -	\$ 33,204	\$ 33,204
Other Financing Sources (Uses):					
Miscellaneous Revenue Not Anticipated	\$ -	\$ -	\$ -	\$ -	\$ -
Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -
Excess of Revenues\Other Financing Sources Over Expenditures\Other Financing Uses	\$ -	\$ -	\$ -	\$ 33,204	\$ 33,204
Fund Balances, January 1, 2014				443,402	
Utilization of Fund Balance				(20,000)	
Prior Period Adjustments				1,300	
Fund Balances, December 31, 2014				\$ 457,906	

(29)

See accompanying Accountant's Report and Notes

OTHER SUPPLEMENTARY INFORMATION

CAPITAL PROJECTS FUND

TOWNSHIP OF MONTGOMERY FIRE DISTRICT NO. 2

CAPITAL PROJECTS FUND

BALANCE SHEET

DECEMBER 31, 2014

ASSETS:

Cash	\$ 1,256,414
Total Assets	<u>\$ 1,256,414</u>

LIABILITIES AND FUND BALANCELIABILITIES:

Accounts Payable: Capital Outlay	\$ 111,450
Total Liabilities	\$ 111,450

FUND BALANCES:

Committed Funds: Capital	\$ 1,144,964
Total Fund Balance	<u>\$ 1,144,964</u>
Total Liabilities and Fund Balance	<u>\$ 1,256,414</u>

See accompanying Accountant's Report and Notes

TOWNSHIP OF MONTGOMERY FIRE DISTRICT NO. 2

BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	ORIGINAL BUDGET	BUDGET CHANGES/ TRFRS	FINAL BUDGET	2014 ACTUAL	VARIANCE
REVENUES:					
Miscellaneous Anticipated Revenues:					
Interest on Deposits	\$ -	\$ -	\$ -	\$ 3,007	\$ 3,007
Committed Funds Utilized	-	-	-	-	-
Total Revenues	\$ -	\$ -	\$ -	\$ 3,007	\$ 3,007
EXPENDITURES:					
Capital Appropriations:					
Fire Apparatus	\$ -	\$ -	\$ -	\$ -	\$ -
Total Capital Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -
Excess of Revenues Over Expenditures	\$ -	\$ -	\$ -	\$ 3,007	\$ 3,007
Other Financing Sources:					
Reserve for Future Capital Outlay	\$ -	\$ -	\$ -	\$ 230,000	\$ 230,000
Other Financing Sources	\$ -	\$ -	\$ -	\$ 230,000	\$ 230,000
Excess of Revenues Over Expenditures	\$ -	\$ -	\$ -	\$ 233,007	\$ 233,007
Fund Balances, January 1, 2014				911,958	
Utilization of Committed Funds				-	
Fund Balances, December 31, 2014				<u>\$ 1,144,965</u>	

See accompanying Accountant's Report and Notes

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**TOWNSHIP OF MONTGOMERY
FIRE DISTRICT NO. 2**

**SCHEDULE OF FINDINGS AND RECOMMENTATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Schedule of Financial Statement Findings

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

None.

**TOWNSHIP OF MONTGOMERY
FIRE DISTRICT NO. 2**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS AS
PREPARED BY MANAGEMENT**

Financial Statement Findings

This section identifies the status of prior year findings related to the financial statements and Federal and State awards that are required to be reported in accordance with Government Auditing Standards, OMB Circular A-133 and the State of New Jersey Circular 97-08-OMB.

None.

APPRECIATION

We express our appreciation for the assistance and courtesies rendered by the Fire District officials during the course of the audit.

Respectfully Submitted,

Solitario & Tierney, CPA, PLLC

Solitario & Tierney, CPA, PLLC
Certified Public Accountants