

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1

COUNTY OF MIDDLESEX, NEW JERSEY

REPORT OF AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2011

Prepared by:
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EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1

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EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1

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EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
ROSTER OF OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2011

Board of Fire Commissioners

James Whalen, Sr., Chairman

Bruce Smith, Vice Chairman

Frederick J. Hoover, Jr, Clerk

Robert McDonald, Treasurer

Gregory Marciniak, Assistant Clerk/Treasurer

Other Officials

Joseph D. Youssouf, Board Attorney

SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Township of East Brunswick Fire District No. 1
County of Middlesex
State of New Jersey

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of East Brunswick Fire District No. 1 (the "District") as of and for the year ended which collectively comprise the Fire District's basic financial statements as listed in the table of contents December 31, 2011. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

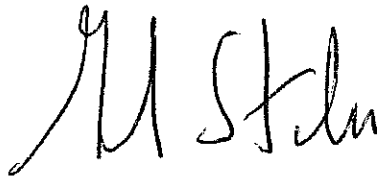
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2011, and the respective changes on financial position where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

In accordance with *Government Auditing Standards* we have also issued our report dated September 20, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 6 through 15 is not a required part of the basic financial statements but are supplementary information required by the Accounting Principles Generally Accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements of the District taken as a whole. The information included in the supplementary schedules is presented for purposes of additional analysis and is not a required part of the financial statements, but is presented as additional analytical data as required by the Local Finance Board. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



Gerard Stankiewicz
Certified Public Accountant



SAMUEL KLEIN AND COMPANY

Freehold, New Jersey
September 20, 2012

SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Fire Commissioners
Township of East Brunswick Fire District No. 1
County of Middlesex
State of New Jersey

We have audited the financial statements of the Township of East Brunswick Fire District No. 1, County of Middlesex, State of New Jersey (the "District"), as of and for the year ended December 31, 2011, and have issued our report thereon dated September 20, 2012. 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.

Internal Control Over Financial Reporting

Management of the Fire District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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.


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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic 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 Division of Finance, Department of Education, State of New Jersey.

This report is intended solely for the information of the District and its management, and other federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Gerard Stankiewicz
Certified Public Accountant



SAMUEL KLEIN AND COMPANY

Freehold, New Jersey
September 20, 2012

REQUIRED SUPPLEMENTARY INFORMATION

PART I

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED

The discussion and analysis of East Brunswick Township Fire District No. 1's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government*.

Financial Highlights

Key financial highlights for 2011 are as follows:

In total, net assets increased \$401,607.20 from 2010.

General revenues accounted for \$1,960,600.10 or 94.67 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$110,432.10 or 5.33 percent of total revenues of \$2,071,032.20.

Total assets of governmental activities increased by \$270,950.09 as cash and cash equivalents decreased by \$2,965,580.59. Receivables increased by \$611,218.64 and net capital assets increased by \$2,637,982.04.

The District had \$1,669,425.00 in expenses; only \$110,432.10 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$1,960,600.10 and fund balance were adequate to provide for these programs.

Among governmental funds, the General Fund had \$1,651,032.20 in revenues and \$1,502,170.58 in expenditures. The General Fund's fund balance increased \$148,861.62 over 2010.

Using this Report

This annual report consists of series of financial statements and notes to those statements. These statements are organized so the reader can understand East Brunswick Township Fire District No. 1 as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specified financial activities.

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011 (CONTINUED)
UNAUDITED

District-Wide Financial Statements (Statement of Net Assets and Statement of Activities)

These statements provide both short-term and long-term information about the District's overall financial status.

Fund Financial Statements

Fund financial statements focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.

- ◆ The governmental funds statements tell how basic services were financed in the short term as well as what remains for future spending.
- ◆ Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011 (CONTINUED)
UNAUDITED

Figure A-1
Major Features of District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary	Instances in which the district administers resources on behalf of someone else
Required financial statements	<ul style="list-style-type: none"> ◆ Statement of net assets ◆ Statement of activities 	<ul style="list-style-type: none"> ◆ Balance sheet ◆ Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> ◆ Statement of fiduciary net assets ◆ Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of assets/liability information	All assets and liabilities, both financial and capital, short-term and long-term	General assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term. The District's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions, during the year, regardless of when cash is received or paid

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure of contents of each of the statements.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. In the case of East Brunswick Township Fire District No. 1, the General Fund is by far the most significant fund.

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011 (CONTINUED)
UNAUDITED

Reporting the District as a Whole Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District, as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include the District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required programs and other factors.

**Reporting the District's Most Significant Funds
Fund Financial Statements**

Fund financial reports provide detailed information about the District's funds. The District uses many funds to account for a multitude of financial transaction. The District's governmental funds are the General Fund and Capital Projects Fund.

Governmental Funds

The District's activities are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements.

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011 (CONTINUED)
UNAUDITED

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. Net Assets may serve over time as a useful indicator of a government's financial position. The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table A-1
Summary of Net Assets

	Governmental Activities		Percentage Change 2010-2011
	2011	2010	
Current and Other Assets	\$ 4,316,833.92	\$ 6,658,592.31	-35.17%
Capital Assets	<u>5,910,354.65</u>	<u>3,273,372.61</u>	80.56%
Total Assets	\$ <u>10,227,188.57</u>	\$ <u>9,931,964.92</u>	2.97%
Long-Term Liabilities	\$ 6,149,500.00	\$ 6,337,500.00	-2.97%
Other Liabilities	<u>233,539.01</u>	<u>151,922.56</u>	53.72%
Total Liabilities	\$ <u>6,383,039.01</u>	\$ <u>6,489,422.56</u>	-1.64%
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 1,500,933.94	\$ 1,177,585.78	27.46%
Restricted	458,150.00	513,152.58	-10.72%
Unrestricted	<u>1,885,065.02</u>	<u>1,751,804.00</u>	7.61%
Total Net Assets	\$ <u><u>3,844,148.96</u></u>	\$ <u><u>3,442,542.36</u></u>	11.67%

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011 (CONTINUED)
UNAUDITED

Table A-2
Summary of Changes in Net Assets

	<u>Governmental Activities</u>		<u>Percentage</u>
	<u>2011</u>	<u>2010</u>	<u>Change</u>
			<u>2010-2011</u>
<u>REVENUES</u>			
Program Revenues:			
Charges for Services	\$ 110,432.10	\$ 109,152.71	1.17%
General Revenues:			
Property Taxes	1,906,000.00	1,906,000.00	0.00%
State Formula Aid	6,356.82	6,356.82	0.00%
Miscellaneous Revenue	<u>48,243.28</u>	<u>60,161.34</u>	-19.81%
Total Revenues	<u>\$ 2,071,032.20</u>	<u>\$ 2,081,670.87</u>	-0.51%
<u>EXPENSES</u>			
Administration	\$ 417,146.22	\$ 379,953.65	9.79%
Cost of Operations and Maintenance	973,256.70	942,868.09	3.22%
Operating Appropriations Offset with Revenues	148,410.16	142,570.32	4.10%
Length of Service Awards Program	84,164.00	75,800.00	11.03%
Interest on Long-Term Debt	<u>46,447.92</u>	<u>32,687.08</u>	42.10%
Total Expenses	<u>1,669,425.00</u>	<u>\$ 1,573,879.14</u>	6.07%
Increase/(Decrease) in Net Assets	<u>\$ 401,607.20</u>	<u>\$ 507,791.73</u>	-20.91%

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011 (CONTINUED)
UNAUDITED

Governmental Activities

The unique nature of property taxes in New Jersey creates the legal requirements to annually seek voter approval for the District operations. Property taxes made up 92.03% of revenues for governmental activities for East Brunswick Township Fire District No.1 for 2011. The District's total revenues were \$2,071,032.20 for the year ended December 31, 2011. Charges for services accounted for 5.33% of revenue, state aid accounted for another .31% of revenue, other miscellaneous and special revenue accounted for the remaining 2.33%.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Table A-3
Cost of Services vs. Net Cost of Services

	2011		2010	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Administration	\$ 417,146.22	\$ 417,146.22	\$ 379,953.65	\$ 379,953.65
Cost of Operations and Maintenance	973,256.70	973,256.20	942,868.09	942,868.09
Operating Appropriations Offset with Revenues	148,410.16	37,978.06	142,570.32	33,417.61
Length of Service Award Program	84,164.00	84,164.00	75,800.00	75,800.00
Interest on Long-Term Debt	46,447.92	46,447.92	32,687.08	32,687.08
	<u>\$ 1,669,425.00</u>	<u>\$ 1,558,992.40</u>	<u>\$ 1,573,879.14</u>	<u>\$ 1,464,726.43</u>

Administration includes expenses associated with administrative and financial supervision of the District.

Cost of Operations and Maintenance involve keeping equipment in an effective working condition.

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011 (CONTINUED)
UNAUDITED

The District's Funds

All governmental funds (i.e. general fund, capital projects fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$2,071,032.20 and expenditures were \$4,479,809.12. The change in fund balance for the year in the general fund was an increase of \$148,861.62 and a decrease of \$2,557,638.54 in the capital projects fund.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the General Fund for the year ended December 31, 2011 and the amount and percentage of increases and decreases in relation to prior year revenues.

Table A-4
Summary of Revenues – General Fund

REVENUES	<u>2011</u>	<u>2010</u>	Increase/ (Decrease) from 2010	Percent of Increase/ (Decrease)
Local Sources:				
Miscellaneous Revenue	\$ 48,243.28	\$ 60,161.34	\$ (11,918.06)	-19.81%
Revenues Offset with Appropriations	110,432.10	109,152.71	1,279.39	1.17%
Amount to be Raised by Taxation	1,906,000.00	1,906,000.00	0.00	0.00%
State Sources	<u>6,356.82</u>	<u>6,356.82</u>	<u>0.00</u>	<u>0.00%</u>
Total	<u>\$ 2,071,032.20</u>	<u>\$ 2,081,670.87</u>	<u>\$ (10,638.67)</u>	<u>-0.51%</u>

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011 (CONTINUED)
UNAUDITED

Table A-5
Summary of Expenditures – General Fund

EXPENDITURES	<u>2011</u>	<u>2010</u>	Increase/ (Decrease) from 2010	Percent of Increase/ (Decrease)
Administration	\$ 417,146.22	\$ 379,953.65	\$ 37,192.57	9.79%
Cost of Operations and Maintenance	852,450.20	825,510.99	26,939.21	3.26%
Operating Appropriations				
Offset Revenues	148,410.16	142,570.32	5,839.84	4.10%
Length of Service Award Program	<u>84,164.00</u>	<u>75,800.00</u>	<u>8,364.00</u>	<u>11.03%</u>
Total	<u>\$ 1,502,170.58</u>	<u>\$ 1,423,834.96</u>	<u>\$ 78,335.62</u>	<u>5.50%</u>

Table A-6
Summary of Capital Assets
(Net of Depreciation)

	<u>Governmental Activities</u>		Increase/ (Decrease) from 2010	Percent of Increase/ (Decrease)
	<u>2011</u>	<u>2010</u>		
Construction in Progress and Vehicles	<u>\$ 5,910,354.65</u>	<u>\$ 3,273,372.61</u>	<u>\$ 2,636,982.04</u>	<u>80.56%</u>

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011 (CONTINUED)
UNAUDITED

For the Future

The East Brunswick Township Fire District No. 1 is in good financial condition presently. The District is proud of its community support.

In conclusion, the East Brunswick Township Fire District No. 1 has committed itself to financial excellence for many years. In addition, the District's system for financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Commissioners at East Brunswick Township Fire District No. 1, 680 Old Bridge Turnpike, East Brunswick, NJ 08816.

FINANCIAL STATEMENTS

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
Statement of Net Assets
December 31, 2011

	<u>TOTAL</u>
	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 3,689,012.31
Receivables, Net	627,821.62
Capital Assets, Net	<u>5,910,354.65</u>
Total Assets	<u>\$ 10,227,188.58</u>
 LIABILITIES	
Accounts Payable	\$ 217,939.01
Accrued Interest Payable	15,600.00
Noncurrent Liabilities:	
Due Within One Year	195,500.00
Due Beyond One Year	<u>5,954,000.00</u>
Total Liabilities	<u>\$ 6,383,039.01</u>
 NET ASSETS	
Invested in Capital Assets, Net of Related Debt	\$ 1,500,933.94
Restricted For:	
Capital Projects	458,150.00
Unrestricted	<u>1,885,065.62</u>
Total Net Assets	<u>\$ 3,844,149.56</u>

See accompanying Notes to the Basic Financial Statements.

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
Statement of Activities
For the Year Ended December 31, 2011

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and Changes in Net Assets</u>
	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u> <u>Total</u>
Governmental Activities:				
Administration	\$ 417,146.22			\$ (417,146.22)
Cost of Operations and Maintenance	973,256.70			(973,256.70)
Operating Appropriations Offset with Revenues	148,410.16	\$ 110,432.10		(37,978.06)
Length of Service Awards Program	84,164.00			(84,164.00)
Interest on Long Term Debt	46,447.92			(46,447.92)
Total Governmental Activities	\$ 1,669,425.00	\$ -	\$ -	\$ (1,558,992.90)
Total Primary Government	\$ 1,669,425.00	\$ -	\$ -	\$ (1,558,992.90)
General Revenues:				
Property Taxes, Levied for General Purposes				\$ 1,486,000.00
Property Taxes, Levied for Debt Service				219,850.00
Property Taxes, Levied for Capital Outlay				200,150.00
State Aid Not Restricted				6,356.82
Miscellaneous Revenue				48,243.28
Total General Revenues, Special Items, Extraordinary Items and Transfers				\$ 1,960,600.10
Changes in Net Assets				\$ 401,607.20
Net Assets - Beginning				3,442,542.36
Net Assets - Ending				\$ 3,844,149.56

See accompanying Notes to the Basic Financial Statements.

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
Balance Sheet
Governmental Funds
December 31, 2011

ASSETS	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and Cash Equivalents	\$ 1,046,376.86	\$ 2,642,635.45		\$ 3,689,012.31
Accounts Receivable	615,218.05	-		615,218.05
Interfunds Receivable	461,903.38	-	\$ 30,000.00	491,903.38
TOTAL ASSETS	<u><u>\$ 2,123,498.29</u></u>	<u><u>\$ 2,642,635.45</u></u>	<u><u>\$ 30,000.00</u></u>	<u><u>\$ 4,796,133.74</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 187,939.01		\$ 30,000.00	\$ 217,939.01
Interfunds Payable	34,893.66	\$ 444,406.16	-	479,299.82
Total Liabilities	<u><u>\$ 222,832.67</u></u>	<u><u>\$ 444,406.16</u></u>	<u><u>\$ 30,000.00</u></u>	<u><u>\$ 697,238.83</u></u>
Fund Balances:				
Committed for Year-end Encumbrances	\$ 142,460.18	\$ 857,739.57		\$ 1,000,199.75
Assigned - Designated for Subsequent Year's Expenditures	250,145.00	882,939.72		1,133,084.72
Unassigned	1,508,060.44	458,150.00		1,966,210.44
Total Fund Balances	<u><u>\$ 1,900,665.62</u></u>	<u><u>\$ 2,198,829.29</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,099,494.91</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,123,498.29</u></u>	<u><u>\$ 2,643,235.45</u></u>	<u><u>\$ 30,000.00</u></u>	

Amounts reported for Governmental Activities in the Statement of Net Assets (A-1) are different because:

Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The Cost of the Net Assets is \$7,292,066.06 and the Accumulated Depreciation is \$1,382,906.41. (Note 3)	\$ 5,910,354.65
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Lease Purchase Agreements Payable (Note 4)	(6,142,000.00)
Compensated Absences Payable (Note 4)	(7,500.00)
Accrued Interest Payable	<u>(15,600.00)</u>
Net Assets of Governmental Activities	<u><u>\$ 3,844,749.56</u></u>

See accompanying Notes to the Basic Financial Statements.

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES:				
Miscellaneous Revenues	\$ 48,243.28			\$ 48,243.28
Operating Grant Revenue	6,356.82			6,356.82
Miscellaneous Revenues Offset with Appropriations	110,432.10			110,432.10
Amount to be Raised by Taxation to Support the District Budget	<u>1,486,000.00</u>	<u>\$ 200,150.00</u>	<u>\$ 219,850.00</u>	<u>1,906,000.00</u>
Total Revenues	<u>\$ 1,651,032.20</u>	<u>\$ 200,150.00</u>	<u>\$ 219,850.00</u>	<u>\$ 2,071,032.20</u>
EXPENDITURES:				
Administration	\$ 417,146.22			\$ 417,146.22
Cost of Operations and Maintenance	852,450.20			852,450.20
Operating Appropriations Offset With Revenues	148,410.16			148,410.16
Length of Service Award Program	84,164.00			84,164.00
Capital Projects		\$ 2,757,788.54		2,757,788.54
Debt Service:				
Principal			\$ 188,000.00	188,000.00
Interest			<u>31,850.00</u>	<u>31,850.00</u>
Total Expenditures	<u>\$ 1,502,170.58</u>	<u>\$ 2,757,788.54</u>	<u>\$ 219,850.00</u>	<u>\$ 4,479,809.12</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 148,861.62</u>	<u>\$ (2,557,638.54)</u>	<u>-</u>	<u>\$ (2,408,776.92)</u>
Net Change in Fund Balances	<u>\$ 148,861.62</u>	<u>\$ (2,557,638.54)</u>	<u>-</u>	<u>\$ (2,408,776.92)</u>
Fund Balances, January 1	<u>1,751,804.00</u>	<u>4,755,867.83</u>		<u>6,507,671.83</u>
Fund Balances, December 31	<u>\$ 1,900,665.62</u>	<u>\$ 2,198,229.29</u>	<u>-</u>	<u>\$ 4,098,894.91</u>

See accompanying Notes to the Basic Financial Statements.

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2011

Total Net Change in Fund Balances - Governmental Funds (From B-2) \$ (2,408,776.92)

Amounts reported for governmental activities in the Statement of Activities (A-2)

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

	Capital Outlay	\$ 2,757,788.54	
	Depreciation Expense	<u>(120,806.50)</u>	
			2,636,982.04

Repayments of bond principal are expenditures 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. 188,000.00

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+). -

In the statement of activities, interest on long-term debt is accrued, regardless of when due. In the governmental funds, interest is reported when due. (14,597.92)

Change in Net Assets of Governmental Activities \$ 401,607.20

See accompanying Notes to the Basic Financial Statements.

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2011

	<u>Deferred Compensation (Unaudited)</u>	<u>Payroll Trust</u>	<u>Unemployment Compensation</u>	<u>Dedicated Penalties</u>	<u>Totals</u>
ASSETS					
Cash and Cash Equivalents		\$ 19,455.92		\$ 12,850.30	\$ 32,306.22
Cash and Investments with Fiscal Agents	\$ 579,417.72				579,417.72
Contributions Receivable	84,164.00				84,164.00
Interfund Receivable			\$ 4,808.66	85.00	4,893.66
TOTAL CURRENT ASSETS	<u>\$ 663,581.72</u>	<u>\$ 19,455.92</u>	<u>\$ 4,808.66</u>	<u>\$ 12,935.30</u>	<u>\$ 700,781.60</u>
LIABILITIES					
Interfund Payable		\$ 17,497.22		-	\$ 17,497.22
Payroll Deductions Payable		1,958.70			1,958.70
TOTAL LIABILITIES		<u>\$ 19,455.92</u>		<u>-</u>	<u>\$ 19,455.92</u>
NET ASSETS					
Held in Trust For:					
Deferred Compensation	\$ 663,581.72				\$ 663,581.72
Unemployment Claims			\$ 4,808.66		4,808.66
Dedicated Penalties				\$ 12,935.30	12,935.30
TOTAL NET ASSETS	<u>\$ 663,581.72</u>		<u>\$ 4,808.66</u>	<u>\$ 12,935.30</u>	<u>\$ 681,325.68</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 663,581.72</u>	<u>\$ 19,455.92</u>	<u>\$ 4,808.66</u>	<u>\$ 12,935.30</u>	<u>\$ 700,781.60</u>

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended December 31, 2011

	<u>Deferred Compensation (Unaudited)</u>	<u>Unemployment Compensation</u>	<u>Dedicated Penalties</u>	<u>Totals</u>
ADDITIONS				
Contributions:				
Penalties			\$ 2,650.00	\$ 2,650.00
Employee Deductions		\$ 467.96		467.96
District Contributions	<u>\$ 84,164.00</u>			<u>84,164.00</u>
Total Contributions	<u>\$ 84,164.00</u>	<u>\$ 467.96</u>	<u>\$ 2,650.00</u>	<u>\$ 87,281.96</u>
Investment Earnings:				
Net (Decrease) in Fair Value of Investments	\$ (4,316.92)			\$ (4,316.92)
Interest	<u>4,230.71</u>		<u>\$ 14.48</u>	<u>4,245.19</u>
Net Investment Earnings	<u>\$ (86.21)</u>	<u>\$ -</u>	<u>\$ 14.48</u>	<u>\$ (71.73)</u>
Total Additions	<u>\$ 84,077.79</u>	<u>\$ 467.96</u>	<u>\$ 2,664.48</u>	<u>\$ 87,210.23</u>
DEDUCTIONS				
Benefits paid to Participants or Beneficiaries	\$ 78,824.96			\$ 78,824.96
Expenses		<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Total Deductions	<u>\$ 78,824.96</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,824.96</u>
Change in Net Assets	<u>\$ 5,252.83</u>	<u>\$ 467.96</u>	<u>\$ 2,664.48</u>	<u>\$ 8,385.27</u>
Net Assets - January 1	<u>658,328.89</u>	<u>4,340.70</u>	<u>10,270.82</u>	<u>672,940.41</u>
Net Assets - December 31	<u><u>\$ 663,581.72</u></u>	<u><u>\$ 4,808.66</u></u>	<u><u>\$ 12,935.30</u></u>	<u><u>\$ 681,325.68</u></u>

NOTES TO FINANCIAL STATEMENTS

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the East Brunswick Township Fire District No. 1 (District) have been prepared in conformity with generally accepted accounting principles (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 District's accounting policies are described below.

In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board ("GASB") and other entities that promulgate accounting principles. Per GASB Statement 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, priority is established as to which source of accounting principles to utilize in determining proper accounting treatment. The hierarchy is as follows: GASB Statements and Interpretations; GASB Technical Bulletins; American Institute of Certified Public Accountants ("AICPA") Industry Audit and Accounting Guides and AICPA Statements of Position, if applicable, and cleared by GASB; AICPA Practice Bulletins, if applicable, and cleared by GASB; Implementation Guides published by the GASB; AICPA pronouncements that are not specially applicable to state and governmental entities; Financial Accounting Standards Board ("FASB") Statements and Interpretations; and Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee of Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government*. Significant changes in the Statement include the following:

A Management's Discussion and Analysis (MD&A) providing an analysis of the District's overall financial position and results of operations.

Financial Statements prepared using full-accrual accounting for all of the District's activities.

A. Reporting Entity

The East Brunswick Township Fire District No. 1 is a political subdivision of the Township of East Brunswick, Middlesex County, New Jersey. The District functions independently through a Board of Fire Commissioners. The Board is comprised of five members elected to three-year terms. The annual Fire District election is held the third Saturday of February.

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

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

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct *expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to residents or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

Governmental Funds

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Project Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities. The financial are derived from the issuance of debt or by the reservation of fund balance that are specifically 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 principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

Fiduciary Funds

Trust Funds – The Trust Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and postemployment healthcare benefits, are recorded only when payment is due.

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the District receives cash.

The District reports the following major governmental funds:

- General Fund
- Capital Projects Fund
- Debt Service Fund

Additionally, the District reports the following fund types:

- Deferred Compensation Trust Fund (Unaudited)
- Payroll Trust Fund
- Unemployment Compensation Trust Fund
- Penalty Assessment Trust Fund

Amounts reported as *program revenues* include 1) charges to residents for services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets/Budgetary Control

Annual budgets are prepared each year for the operations of the fire district. The budgets are approved by the Division of Local Government Services, Department of Community Affairs, and State of New Jersey. The budgets are then voted upon by the public, at the annual fire district election held on the third Saturday in February. Budgetary transfers may be made during the last two months of the year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. 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 in governmental funds, other than the special revenue fund, are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

F. 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 and agency obligations are certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey fire districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statutes provide a list of permissible investments that may be purchased by New Jersey fire districts.

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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 Act. 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 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.

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. 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 received. Grants from other governments 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.

H. Inventories and Prepaid Expenses

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

I. Short-term Interfund Receivables/Payables

Short-term interfund receivables/payables represents amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

J. Capital Assets

Capital assets, which include land, water stock, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000.00. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Fire Trucks	25
Other Vehicles	5
Vehicle	0
Refurbishment	15

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Long-Term Obligations

Long-term debt is recognized as a liability of the Fire District when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

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 \$60,000.00 or 2 percent of the assessed valuation of property, whichever is larger.

L. Fire District Taxes

Upon the proper certification to the assessor of the municipality in which the Fire District is located, the assessor shall assess the amount of taxes to be raised in support of the Fire District's budget in the same manner as all other municipal taxes. The collector or treasurer 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 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.

M. Fund Equity

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.

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The District's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). GUDPA requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000.00 in the aggregate by the FDIC for each bank. At December 31, 2011, the carrying amount of the District's deposits and investments of \$3,721,318.53 and the bank balance of the District's deposits was \$3,730,793.73. Of the bank balances, \$500,000.00 was covered by FDIC and \$3,230,793.73 was covered by GUDPA. In addition, the District had \$582,528.89 invested in its Deferred Compensation Program (LOSAP) with the Variable Annuity Life Insurance Company. This amount is not covered by FDIC or GUDPA.

The District is permitted to invest public funds in accordance with the types of securities authorized by *N.J.S.A. 40A:5-15.1*. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the local unit or units within which the District is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute. The detail is as follows:

Petty Cash	\$	200.00
Checking Account		581,847.10
Money Market Fund - Provident Bank		2,642,635.45
New Jersey Cash Management Fund		<u>496,635.98</u>
		<u>\$ 3,721,318.53</u>

There were no securities that could be clarified as investments as defined by GASB #3 as amended by #40.

As of December 31, 2011, the District has implemented the disclosure requirements of Governmental Accounting Standards Board Statement No. 40 "Deposit and Investment Risk Disclosures" ("GASB 40") and accordingly, the District has assessed the Custodial Risk, the Concentration of Credit Risk, Credit Risk and Interest Rate Risk of its cash and investments.

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

- (a) Custodial Credit Risk – The District's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The deposit risk is that, in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The District's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District and are held by either: the counterparty or the counterparty's trust department or agent but not in the District's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of the investment or collateral securities that are in possession of an outside party.

The New Jersey Cash Management Fund is a common trust fund administered by the New Jersey Department of the Treasury, Division of Investment. Securities in the Fund are insured, registered or held by the Division or its agent in the Fund's name. At December 31, 2011, the District had \$496,635.98 on deposit with the New Jersey Cash Management Fund.

As of December 31, 2011, the District's bank balance was not exposed to custodial credit risk since the full amount was covered by either FDIC insurance or GUDPA. The District does not have a formal policy for deposit custodial credit risk other than to maintain sufficient funds in the checking account to cover checks that have not cleared the account as of a specific date.

As of December 31, 2011, the District's balance in its Deferred Compensation Program and New Jersey Cash Management Program were not covered by FDIC or GUDPA.

- (b) Concentration of Credit Risk – This is the risk associated with the amount of investments the District has with any one issuer that exceeds 5 percent or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

(c) Credit Risk – GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In general, the District does not have an investment policy regarding Credit Risk except to the extent previously outlines under the District's investment policy.

(d) 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.

NOTE 3. CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, not being Depreciated:				
Construction in Progress	\$ 1,757,284.98	\$ 2,757,788.54		\$ 4,515,073.52
Depreciated Assets:				
Vehicles, Machinery and Equipment	\$ 2,821,992.54		\$ (44,305.00)	\$ 2,866,297.54
Less Accumulated Depreciation:				
Vehicles, Machinery and Equipment	\$ (1,305,904.91)	\$ (120,806.50)	\$ 44,305.00	\$ (1,471,016.41)
Total Capital Assets, Being Depreciated, Net	<u>\$ 1,516,087.63</u>	<u>\$ (120,806.50)</u>	<u>\$ -</u>	<u>\$ 1,395,281.13</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,273,372.61</u>	<u>\$ 2,636,982.04</u>	<u>\$ -</u>	<u>\$ 5,910,354.65</u>

Depreciation expense was charged to functions of the District as follows:

Governmental Activities \$120,806.50

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 4. GENERAL LONG-TERM DEBT

During the year ended December 31, 2011 the following changes occurred in long-term debt:

	<u>Lease Purchase Agreement Serial Bonds Payable</u>	<u>Compensated Absences Payable</u>	<u>Total</u>
January 1, 2011	\$ 6,330,000.00	\$ 7,500.00	\$ 6,337,500.00
Increased		7,500.00	7,500.00
(Retired)	<u>(188,000.00)</u>	<u>(7,500.00)</u>	<u>(195,500.00)</u>
December 31, 2011	<u>\$ 6,142,000.00</u>	<u>\$ 7,500.00</u>	<u>\$ 6,149,500.00</u>
Allocation:			
Due within One Year	\$ 188,000.00	\$ 7,500.00	\$ 195,500.00
Long-term Portion	<u>5,954,000.00</u>	<u>-</u>	<u>5,954,000.00</u>
	<u>\$ 6,142,000.00</u>	<u>\$ 7,500.00</u>	<u>\$ 6,149,500.00</u>

A. Schedule of Annual Debt Service For Principal and Interest for Bonded Debt Issued and Outstanding

<u>Year</u>	<u>Principal</u>	<u>Interest *</u>	<u>Total</u>
2012	\$ 110,000.00	\$ 6,600.00	\$ 116,600.00
2013	<u>110,000.00</u>	<u>3,300.00</u>	<u>113,300.00</u>
	<u>\$ 220,000.00</u>	<u>\$ 9,900.00</u>	<u>\$ 229,900.00</u>

* Estimated – Variable Rate.

** Debt schedule for 2012 \$5,922,000.00 has not been determined; however, interest payment required 2012 is \$47,400.00 and principal payment required 2012 is \$78,000.00 (Reflected as current portion of long term debt). The District is in the process of developing a permanent repayment plan for the debt in conjunction with the Township of East Brunswick.

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 4. GENERAL LONG-TERM DEBT (CONTINUED)

B. Outstanding Debt – At December 31, 2011, bonds payable consisted of the following issues:

2007 Lease Purchase Agreement with Township of East Brunswick, Variable Interest Rate	\$ 5,922,000.00
2003 Lease Purchase Agreement with Township of East Brunswick, Variable Interest Rate	<u>220,000.00</u>
	<u><u>\$ 6,142,000.00</u></u>

C. Bonds and Notes Authorized But Not Issued

At December 31, 2011, there were no bonds and notes authorized but not issued.

NOTE 5. PENSION PLAN

Description of Systems

Substantially all of the District's employees participate in the following contributory defined benefit public employee retirement systems which have been established by State statute: the Public Employees' Retirement System (PERS). This system is sponsored and administered by the New Jersey Division of Pensions and Benefits. The Public Employees' Retirement System is considered cost sharing multiple-employer plans.

Public Employees' Retirement System

The Public Employees' Retirement System (PERS) was established January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after eight to ten years of service and twenty-five years for health care coverage. Members are eligible for retirement at age sixty with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age sixty with twenty-five or more years of credited service. Pension benefits for members enrolled in the system after May 21, 2010 would be based on 1/60th of the average annual compensation for the last five (5) years of service or any five (5) fiscal years of membership that provide the largest benefit to the member of the member's beneficiary. Anyone who retires early and is under age fifty-five receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age fifty-five).

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 5. PENSION PLAN (CONTINUED)

Contributions Required to be Made

Employee contributions for 2011 were five and one-half percent (5.5%) through September 30, 2011 and six and one-half percent (6.5%) thereafter of the employee's base wages for PERS. Employer's contributions are actuarially determined annually by the Division of Pensions. The District's contributions to the plan for the past three (3) years are as follows:

PERS					
Borough					
<u>Year</u>	<u>Normal</u>	<u>Accrued</u>	<u>NCGI Premium</u>	<u>Net Cost</u>	<u>Employees</u>
2011	\$7,695.00	\$12,262.00	\$1,516.00	\$21,473.00	\$10,696.75
2010	7,025.00	9,026.00	2,226.00	18,277.00	11,010.71
2009	6,314.00	7,303.00	1,693.00	15,310.00	11,999.00

Pension credits were as a result of a legislated revaluation of pension system assets.

Pension Reports

The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the pension plans and an annual actuarial valuation report. Those reports may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf.

NOTE 6. POST EMPLOYMENT RETIREMENT BENEFITS

The District does not provide post employment health benefits for its retired employees.

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 7. 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.

New Jersey Unemployment Compensation Insurance – The District has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District’s expendable trust fund for the current and prior two years:

<u>Fiscal Year</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Ending Balance</u>
2011	\$ -	\$ 467.96	\$ 4,808.66
2010	-	513.60	4,340.70
2009	-	503.37	3,827.10

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 8. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at December 31, 2011:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental Funds		
General	\$ 461,903.38	\$ 34,893.66
Capital Projects	-	444,406.16
Debt Service	<u>30,000.00</u>	<u> </u>
Total Governmental Funds	\$ 491,903.38	\$ 479,299.82
Fiduciary Funds	<u>4,893.66</u>	<u>17,497.22</u>
	<u>\$ 496,797.04</u>	<u>\$ 496,797.04</u>

The interfunds are expected to be liquidated in the next year in the normal cause of business.

NOTE 9. FUND BALANCE APPROPRIATED

General Fund – Of the \$1,900,665.62 General Fund fund balance at December 31, 2011, \$142,460.18 is committed for year end encumbrances; \$250,145.00 is assigned-designated for subsequent year's expenditures and included as anticipated revenue for the year 2012 and \$1,508,060.44 is unassigned.

Capital Fund – Of the \$2,198,229.29 Capital Fund fund balance at December 31, 2011, \$857,739.57 is committed for year-end encumbrances, \$882,939.72 is assigned for capital improvements and \$458,150.00 is unassigned Future Capital Outlay.

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 10. LITIGATION

As of the date of this report, there is no litigation pending which, if decided adversely to the District, would have a material impact on the District.

NOTE 11. LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)

The Fire District offers its employees a Length of Service Awards Program in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the Program and all income attributed to those amounts are the exclusive property of the Fire District, subject to the claims of its general creditors. Participants' rights under the Program are equal to those of a general creditor of the Fire District in an amount equal to the fair market value of the deferred account for each participant. It is unlikely that the Fire District would use Program assets to satisfy claims of the general creditors in the future.

The District has selected Variable Annuity Life Insurance Company (VALIC) to administer its LOSAP Program. As of December 31, 2011, the District's LOSAP Program had assets of \$663,581.72. A separate accountant's review report has been prepared.

NOTE 12. OFFICE SPACE LEASE

The District leases office space in a building owned by the volunteer fire company, with which is also has a service contract. The lease expires on December 3, 2015 and requires monthly lease payment of \$2,241.00 (\$26,892.00 per year).

REQUIRED SUPPLEMENTARY INFORMATION

PART II

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2011

	Original Budget	2010 Encumbrances	Budget Transfers	Final Budget	Actual	Final to Actual Variance
REVENUES:						
Miscellaneous Revenues:						
Other Revenue:						
Interest on Investments	\$ 30,000.00			\$ 30,000.00	\$ 29,038.74	\$ (961.26)
Municipal Assistance	9,000.00			9,000.00	9,000.00	-
Miscellaneous	-			-	10,204.54	10,204.54
Total Miscellaneous Revenues	\$ 39,000.00		-	\$ 39,000.00	\$ 48,243.28	\$ 9,243.28
Operating Grant Revenue:						
Supplemental Fire Services Program	\$ 8,196.00			\$ 8,196.00	\$ 6,356.82	\$ (1,839.18)
Miscellaneous Revenues Offset with Appropriations:						
Uniform Fire Safety Act:						
Annual Registration Fees	\$ 25,000.00			\$ 25,000.00	\$ 38,513.10	\$ 13,513.10
Other Revenues	70,000.00			70,000.00	71,919.00	1,919.00
Total Miscellaneous Revenues Offset with Appropriations	\$ 95,000.00		-	\$ 95,000.00	\$ 110,432.10	\$ 15,432.10
Amount to be Raised by Taxation to Support the District Budget	\$ 1,486,000.00			\$ 1,486,000.00	\$ 1,486,000.00	\$ -
Total Revenues	\$ 1,628,196.00	-	-	\$ 1,628,196.00	\$ 1,651,032.20	\$ 22,836.20

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2011

	Original Budget	2010 Encumbrances	Budget Transfers	Final Budget	Actual	Final to Actual Variance
EXPENDITURES:						
Operating Appropriations:						
Administration:						
Salaries and Wages:						
Commissioners	\$ 30,000.00		38.25	\$ 30,038.25	\$ 30,000.00	\$ 38.25
Administrative Assistant	50,546.00		3,533.45	54,079.45	54,079.45	-
Summer Help	5,000.00		-	5,000.00	-	5,000.00
Total Salaries and Wages	\$ 85,546.00	-	\$ 3,571.70	\$ 89,117.70	\$ 84,079.45	\$ 5,038.25
Fringe Benefits	\$ 198,491.00	\$ 3,441.00	\$ (12,103.70)	\$ 189,828.30	\$ 92,284.15	\$ 97,544.15
Other Expenses:						
Election	2,200.00			2,200.00	907.53	1,292.47
Insurance	100,000.00			100,000.00	68,336.68	31,663.32
Membership/Dues	2,000.00			2,000.00	671.00	1,329.00
Office Expenses	39,750.00		(4,301.95)	35,448.05	22,371.99	13,076.06
Professional Services	87,250.00	20,000.00	4,373.00	111,623.00	63,930.05	47,692.95
Travel Expenses	6,000.00			6,000.00	1,815.56	4,184.44
Rental of Office Space	26,892.00		76.95	26,968.95	26,968.95	-
Utilities/Phone/Pagers	59,000.00			59,000.00	50,590.72	8,409.28
Advertising/Publications	3,500.00			3,500.00	573.14	2,926.86
Actual Loss/Damage	1,500.00			1,500.00	-	1,500.00
Building/Office Repairs	3,000.00		4,000.00	7,000.00	4,617.00	2,383.00
Total Other Expenses	\$ 331,092.00	\$ 20,000.00	\$ 4,148.00	\$ 355,240.00	\$ 240,782.62	\$ 114,457.38
Total Administration	\$ 615,129.00	\$ 23,441.00	\$ (4,384.00)	\$ 634,186.00	\$ 417,146.22	\$ 217,039.78

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2011

	Original Budget	2010 Encumbrances	Budget Transfers	Final Budget	Actual	Final to Actual Variance
EXPENDITURES: (Continued)						
Cost of Operations and Maintenance:						
Other Expenses:						
Old Bridge Vol. Fire Co.	\$ 428,015.00		\$ 1,986.00	\$ 430,001.00	\$ 430,000.28	\$ 0.72
Maintenance and Repair	150,000.00	\$ 61,343.94	7,300.00	218,643.94	177,499.20	41,144.74
Operating Material and Supplies	57,000.00	2,027.00		59,027.00	40,191.92	18,835.08
Training and Education	25,500.00	725.00		26,225.00	15,528.41	10,696.59
Traffic Light Maint.	5,000.00		4,384.00	9,384.00	9,383.24	0.76
Uniforms/Personal Equip.	55,585.00	21,751.99		77,336.99	29,515.66	47,821.33
Contingent Expenses	100,000.00	9,793.00		109,793.00	56,782.50	53,010.50
Communication Equipment	25,000.00			25,000.00	20,211.67	4,788.33
Firefighting Equipment	55,000.00	7,425.00		62,425.00	63,859.01	(1,434.01)
Safety Officer Equipment	7,400.00			7,400.00	4,112.95	3,287.05
Extraordinary Firemens Expense	5,000.00	3,000.00	(1,986.00)	6,014.00	5,365.36	648.64
Total Other Expenses	\$ 913,500.00	\$ 106,065.93	\$ 11,684.00	\$1,031,249.93	\$ 852,450.20	\$ 178,799.73
Total Cost of Operations and Maintenance	\$ 913,500.00	\$ 106,065.93	\$ 11,684.00	\$1,031,249.93	\$ 852,450.20	\$ 178,799.73
Uniform Fire Safety Act:						
Salaries and Wages:						
Fire Marshall	\$ 37,500.00			\$ 37,500.00	\$ 34,445.25	\$ 3,054.75
Fire Inspectors	86,000.00			86,000.00	48,775.00	37,225.00
Clerk Typist	34,850.00			34,850.00	34,622.75	227.25
Paid on Call	10,000.00		\$ 500.00	10,500.00	10,425.00	75.00
Total Salaries and Wages	\$ 168,350.00	-	\$ 500.00	\$ 168,850.00	\$ 128,268.00	\$ 40,582.00
Other Expenses	\$ 42,750.00	\$ -	\$ (7,800.00)	34,950.00	\$ 20,142.16	\$ 14,807.84
Total Uniform Fire Safety Act	\$ 211,100.00	\$ -	\$ (7,300.00)	\$ 203,800.00	\$ 148,410.16	\$ 55,389.84

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2011

	<u>Original Budget</u>	<u>2010 Encumbrances</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final to Actual Variance</u>
EXPENDITURES: (Continued)						
Operating Appropriations Offset With Revenues: (Continued)						
Length of Service Award Program	\$ 90,000.00			\$ 90,000.00	\$ 84,164.00	\$ 5,836.00
Total Expenditures	<u>\$ 1,829,729.00</u>	<u>\$ 129,506.93</u>	<u>\$ -</u>	<u>\$ 1,959,235.93</u>	<u>\$ 1,502,170.58</u>	<u>\$ 457,065.35</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (201,533.00)	\$ (129,506.93)	-	\$ (331,039.93)	\$ 148,861.62	\$ 479,901.55
Fund Balances, January 1	1,622,297.07	129,506.93		1,751,804.00	1,751,804.00	-
Fund Balances, December 31	<u>\$ 1,420,764.07</u>	<u>-</u>	<u>-</u>	<u>\$ 1,420,764.07</u>	<u>\$ 1,900,665.62</u>	<u>\$ 479,901.55</u>
Fund Balance Appropriated Prior Year Encumbrances	\$ 201,533.00	\$ 129,506.93		\$ 201,533.00		
	<u>\$ 201,533.00</u>	<u>\$ 129,506.93</u>	<u>-</u>	<u>\$ 331,039.93</u>	<u>-</u>	<u>-</u>

OTHER SUPPLEMENTARY INFORMATION

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
Comparative Balance Sheet
General Fund
As of December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,046,376.86	\$ 1,289,706.61
Accounts Receivable	615,218.05	7,993.80
Interfund Receivable	<u>461,903.38</u>	<u>594,006.48</u>
TOTAL ASSETS	<u><u>\$ 2,123,498.29</u></u>	<u><u>\$ 1,891,706.89</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts Payable	\$ 187,939.01	\$ 105,477.19
Interfund Payable	<u>34,893.66</u>	<u>34,425.70</u>
Total Liabilities	<u><u>\$ 222,832.67</u></u>	<u><u>\$ 139,902.89</u></u>
Fund Balance:		
Committed for Year-end Encumbrances	\$ 142,460.18	\$ 129,506.93
Assigned - Designated for Subsequent Year's Expenditures	250,145.00	201,533.00
Unassigned	<u>1,508,060.44</u>	<u>1,420,764.07</u>
Total Fund Balance	<u><u>\$ 1,900,665.62</u></u>	<u><u>\$ 1,751,804.00</u></u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 2,123,498.29</u></u>	 <u><u>\$ 1,891,706.89</u></u>

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
Comparative Balance Sheet
Capital Projects Fund
As of December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and Cash Equivalents	<u>\$ 2,642,635.45</u>	<u>\$ 5,364,886.29</u>
TOTAL ASSETS	<u><u>\$ 2,642,635.45</u></u>	<u><u>\$ 5,364,886.29</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts Payable		\$ 15,443.29
Interfund Payable	<u>\$ 444,406.16</u>	<u>593,575.17</u>
Total Liabilities	<u>\$ 444,406.16</u>	<u>\$ 609,018.46</u>
Fund Balances:		
Committed for Year-end for Encumbrances	\$ 857,739.57	\$ 3,412,203.44
Restricted:		
Unassigned:		
Future Capital Outlay	458,150.00	408,000.00
Assigned:		
Construction of New Firehouse	639,982.32	830,511.81
Vehicle Refurbishments/ Safety Vehicle		
Water Rescue	70,255.65	71,380.83
Vehicle Refurbishments/ Pick-Up Truck/		
Utility Vehicle	22,523.18	22,523.18
Vehicle Refurbishments/ SCBA Equipment/		
Emergency Rescue Tools	138,330.00	-
Various Capital Improvements	<u>11,248.57</u>	<u>11,248.57</u>
Total Fund Balances	<u>\$ 2,198,229.29</u>	<u>\$ 4,755,867.83</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 2,642,635.45</u></u>	 <u><u>\$ 5,364,886.29</u></u>

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
Comparative Schedule of Revenues and Expenditures
Capital Projects Fund
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
REVENUES		
Amount to be Raised by Taxation to Support the District Budget	<u>\$ 200,150.00</u>	<u>\$ 258,000.00</u>
Total Revenues	<u>\$ 200,150.00</u>	<u>\$ 258,000.00</u>
EXPENDITURES		
Capital Projects	<u>\$ 2,757,788.54</u>	<u>\$ 1,163,650.95</u>
Total Expenditures	<u>\$ 2,757,788.54</u>	<u>\$ 1,163,650.95</u>
Excess/(Deficiency) of Revenues Over Expenditures	\$ (2,557,638.54)	\$ (905,650.95)
Fund Balance, January 1	<u>4,755,867.83</u>	<u>5,661,518.78</u>
Fund Balance, December 31	<u><u>\$ 2,198,229.29</u></u>	<u><u>\$ 4,755,867.83</u></u>

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
 Summary Statement of Project Expenditures
 Capital Projects Fund
 Year Ended December 31, 2011

<u>Issue/Project Title</u>	<u>Date Authorized</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance</u>
			<u>Prior Years</u>	<u>Current Year</u>	
Various Capital Improvements	12/11/03	\$ 186,500.00	\$ 175,251.43		\$ 11,248.57
Construction of New Firehouse	02/17/07	6,000,000.00	1,757,284.75	\$ 2,746,118.54	1,496,596.71
Vehicle Refurbishments/ Safety Vehicle Water Rescue	02/21/09	140,000.00	68,619.17	-	71,380.83
Vehicle Refurbishments/ Pick-Up Truck/ Utility Vehicle	12/26/09	150,000.00	127,476.82		22,523.18
Vehicle Refurbishments/ SCBA Equipment/ Emergency Rescue Tools	12/22/10	150,000.00	-	11,670.00	138,330.00
		<u>\$ 6,626,500.00</u>	<u>\$ 2,128,632.17</u>	<u>\$ 2,757,788.54</u>	<u>\$ 1,740,079.29</u>

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2011

	<u>Deferred Compensation (Unaudited)</u>	<u>Payroll Trust</u>	<u>Unemployment Compensation</u>	<u>Dedicated Penalties</u>	<u>Totals</u>
ASSETS					
Cash and Cash Equivalents		\$ 19,455.92			\$ 32,306.22
Cash and Investments with Fiscal Agents	\$ 579,417.72			\$ 12,850.30	579,417.72
Contributions Receivable	84,164.00				84,164.00
Interfund Receivable		-	\$ 4,808.66	85.00	4,893.66
TOTAL CURRENT ASSETS	<u>\$ 663,581.72</u>	<u>\$ 19,455.92</u>	<u>\$ 4,808.66</u>	<u>\$ 12,935.30</u>	<u>\$ 700,781.60</u>
LIABILITIES					
Interfund Payable		\$ 17,497.22		-	\$ 17,497.22
Payroll Deductions Payable		1,958.70			1,958.70
TOTAL LIABILITIES	<u>-</u>	<u>\$ 19,455.92</u>	<u>-</u>	<u>-</u>	<u>\$ 19,455.92</u>
NET ASSETS					
Held in Trust For:					
Deferred Compensation	\$ 663,581.72				\$ 663,581.72
Unemployment Claims			\$ 4,808.66		4,808.66
Dedicated Penalties				\$ 12,935.30	12,935.30
TOTAL NET ASSETS	<u>\$ 663,581.72</u>	<u>-</u>	<u>\$ 4,808.66</u>	<u>\$ 12,935.30</u>	<u>\$ 681,325.68</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 663,581.72</u>	<u>\$ 19,455.92</u>	<u>\$ 4,808.66</u>	<u>\$ 12,935.30</u>	<u>\$ 700,781.60</u>

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended December 31, 2011

	<u>Deferred Compensation (Unaudited)</u>	<u>Unemployment Compensation</u>	<u>Dedicated Penalties</u>	<u>Totals</u>
ADDITIONS				
Contributions:				
Penalties			\$ 2,650.00	\$ 2,650.00
Employee Deductions		\$ 467.96		467.96
District Contributions	<u>\$ 84,164.00</u>			<u>84,164.00</u>
Total Contributions	<u>\$ 84,164.00</u>	<u>\$ 467.96</u>	<u>\$ 2,650.00</u>	<u>\$ 87,281.96</u>
Investment Earnings:				
Net (Decrease) in Fair Value of Investments	\$ (4,316.92)			\$ (4,316.92)
Interest	<u>4,230.71</u>		\$ 14.48	<u>4,245.19</u>
Net Investment Earnings	<u>\$ (86.21)</u>		<u>\$ 14.48</u>	<u>\$ (71.73)</u>
Total Additions	<u>\$ 84,077.79</u>	<u>\$ 467.96</u>	<u>\$ 2,664.48</u>	<u>\$ 87,210.23</u>
DEDUCTIONS				
Benefits paid to Participants or Beneficiaries	<u>\$ 78,824.96</u>			<u>\$ 78,824.96</u>
Total Deductions	<u>78,824.96</u>		<u>\$ -</u>	<u>\$ 78,824.96</u>
Change in Net Assets	<u>\$ 5,252.83</u>	<u>\$ 467.96</u>	<u>\$ 2,664.48</u>	<u>\$ 8,385.27</u>
Net Assets - January 1	<u>658,328.89</u>	<u>4,340.70</u>	<u>10,270.82</u>	<u>672,940.41</u>
Net Assets - December 31	<u>\$ 663,581.72</u>	<u>\$ 4,808.66</u>	<u>\$ 12,935.30</u>	<u>\$ 681,325.68</u>

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
 Schedule of Loan Agreements
 Long-Term Debt
 December 31, 2011

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Loan Agreement Outstanding</u>		<u>Interest Rate</u>	<u>Balance Jan. 1, 2011</u>	<u>Retired</u>	<u>Balance Dec. 31, 2011</u>
			<u>Date</u>	<u>Amount</u>				
Acquisition of Fire Apparatus	2003	\$1,100,000	2012 - 2013	\$110,000	Variable	\$ 330,000.00	\$ 110,000.00	\$ 220,000.00
Construction of Firehouse	2008	6,000,000	<i>to be determined</i>		Variable	6,000,000.00	78,000.00	5,922,000.00
Total						<u>\$6,330,000.00</u>	<u>\$ 188,000.00</u>	<u>\$6,142,000.00</u>

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1
Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:					
Amount to be Raised by Taxation to Support the District Budget	\$ 219,850.00	\$ -	\$ 219,850.00	\$ 219,850.00	\$ -
EXPENDITURES:					
Regular Debt Service:					
Interest	\$ 31,850.00		\$ 31,850.00	\$ 31,850.00	\$ -
Redemption of Principal	188,000.00		188,000.00	188,000.00	-
Total Regular Debt Service	<u>\$ 219,850.00</u>	<u>\$ -</u>	<u>\$ 219,850.00</u>	<u>\$ 219,850.00</u>	<u>\$ -</u>
Total Expenditures	<u>\$ 219,850.00</u>	<u>\$ -</u>	<u>\$ 219,850.00</u>	<u>\$ 219,850.00</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures					
Fund Balance, January 1					
Fund Balance, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATISTICAL INFORMATION

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 1

STATISTICAL INFORMATION

DECEMBER 31, 2011

Property Tax Levies:

Following is a tabulation of district assessed valuations, tax levies and property tax rates per \$100 of assessed valuations for the current and preceding four years:

<u>Fiscal Year</u>		<u>Assessed Valuations</u>		<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2011	\$	730,740,456	\$	1,906,000	0.261
2010		736,604,627		1,906,000	0.259
2009		739,103,463		1,906,000	0.258
2008		735,832,733		1,827,092	0.248
2007		733,041,314		1,535,772	0.210

Unreserved Fund Balance:

<u>Fiscal Year Ended</u>		<u>End of Fiscal Year</u>		<u>Assigned - Utilization in Subsequent Budget</u>
December 31, 2011	\$	1,900,666	\$	250,145
December 31, 2010		1,751,804		201,533
December 31, 2009		1,495,644		155,316
December 31, 2008		1,007,104		155,316
December 31, 2007		594,819		143,000

Reserved Fund Balance:

<u>Fiscal Year Ended</u>		<u>End of Fiscal Year</u>		<u>Assigned - Utilization in Subsequent Budget</u>
December 31, 2011	\$	458,150		None
December 31, 2010		408,000		None
December 31, 2009		300,000		None
December 31, 2008		250,000		None
December 31, 2007		150,000		None

GENERAL COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS AND RECOMMENDATIONS
DECEMBER 31, 2011

Scope of Examination and Conditions of Records

Our examination covered the funds of the Board of Fire Commissioners, Fire District #1, ("the Board") Township of East Brunswick handled by the Treasurer.

The financial records were maintained in good condition.

Minutes of Board meetings were properly maintained by the Recording Secretary.

Cash and Cash Equivalents

The balances in banks at December 31, 2011 were verified with the bank reconciliations and/or statements issued by the depositories.

Our examination revealed that the Fire District maintains its funds in a money market fund. A cash management plan was adopted for 2011.

Examination of Claims

In verifying expenditures, computations were tested on claims approved and paid. No attempt was made in this connection to establish proof of rendition, character or extent of services, nor quantities, nature, propriety of prices or receipt of materials, these elements being left necessarily to internal review in connection with approval of claims.

Claims paid during the period under audit were examined on a test basis to determine that they are submitted on Board vouchers, audit, itemized, signed by the officials as to approval for payment, allocation to the proper accounts and charged to the proper fiscal period, and in agreement with bill lists set forth in the approved minutes of the Board. There were minor exceptions; however, for the most part; none of which were significant.

Resolutions are passed from time to time dictating certain purchasing procedures which should probably be integrated into an overall purchasing procedure.

Payroll

The payroll examination revealed that salaries were paid in accordance with the annual salary resolution approved by the Board and within the guidelines set up in the annual budget.

GENERAL COMMENTS AND RECOMMENDATIONS (CONTINUED)
DECEMBER 31, 2011

Contracts and Agreements Required to be Advertised for N.J.S. 40A:11-4 (as amended)

N.J.S. 40A:11-4 (as amended) states, "Every contract or agreement, for the performance of any work or the 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 after public act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding the aggregate \$17,500 in the absence of a Qualified Purchase Agent (QPA), except by contract or agreement."

The members of the Township of East Brunswick Fire District #1 have the responsibility of determining whether any contract or agreement might result in violation of the statute and, when necessary, the Board Attorney's opinion should be sought before a commitment is made.

The minutes indicate that there were no bids requested by public advertising for 2011.

In addition, the following items were purchased under State Contract:

Fire Equipment	Radio Equipment
Security and Lock Equipment	

Inasmuch as the system of records did not provide for any 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.

The results of our examination indicated that no individual payments, contracts or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies", in excess of the statutory thresholds where there had been no advertising for bids in accordance with provisions of N.J.S.A. 40A:11-21.

There were a few purchases that were made during the year, which in my opinion, should have had documentation of quotes and/or State Contract numbers affixed to the paid voucher. Although quotes and/or State Contracts numbers may have existed, they were not attached to the final paid voucher as required by the Local Public Contracts Law. In addition, in a few instances there were reimbursements to volunteers the fire company that should be minimized since it gives the impression of a circumvention of purchasing procedures.

The District is involved in a construction project for a new firehouse. The architect certification of monthly progress billings reflected change orders that were not in all cases approved by the Commissioners. The change orders in total were below the allowable threshold for change order. We have been advised that there are complications with the project and that a final change order and payout resolution may be considered upon completion of the project.

GENERAL COMMENTS AND RECOMMENDATIONS (CONTINUED)
DECEMBER 31, 2011

Contracts and Agreements Required to be Advertised for N.J.S. 40A:11-4 (as amended)
(Continued)

The District utilizes several vendors to perform various repair services on District owned equipment. Three (3) of the vendors in total exceeded the amount in which services/products should be bid in accordance with the Local Public Contracts Law (*Bid Threshold*). The expenditures were mostly from repairs and were the result of accumulations of several individual purchases; none of which were in excess of the bid threshold. When the trend over several years of expenditures in a particular category exceeds the bid threshold, then consideration should be given to preparing for specifications for the purpose of bidding in accordance with the Local Public Contracts Law. In addition, the system should be adjusted to distinguish between preventative maintenance versus actual unforeseen emergent condition repairs. We have been advised that with respect to certain repairs that vendors in some cases have exclusive rights to products and services related to particular vehicles, and that utilization of another vendor is impractical. In some cases unforeseen repairs in a firefighting environment are deemed to be emergent condition. However, precaution should be taken to avoid confusion.

Length of Service Awards Program (LOSAP)

The Length of Service Awards Program (LOSAP) Accountants Review for December 31, 2011 was completed as of the date of the audit report.

Fire Protection Agreement

The district has a contract for Fire Protection Services with the local volunteer fire company. The contract has a provision for the company to provide the District an annual accounting of all public monies received and expended. As of the date of this audit an Accountant's Compilation Report is on file at the Board office for the year ended December 31, 2010. The report for 2011 has not yet been received.

Financial Procedures

It is suggested that for all financial processes within each function that a review, updating and documentation of all procedures be done in order to be in compliance with recent accounting and auditing requirements related to internal control.

GENERAL COMMENTS AND RECOMMENDATIONS (CONTINUED)
DECEMBER 31, 2011

Miscellaneous

A general ledger was properly maintained as well as all subsidiary ledgers. Fixed asset detail was properly maintained.

The problems and weaknesses noted in our audit were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole. However, the items referred to in the Comments and Recommendations need to be addressed by the Board.

An exit conference was held in accordance with Auditing Standards Generally Accepted in the United States of America for governmental entities.

Acknowledgment

During the course of the audit, we received the cooperation of the officials of the Fire District and we appreciate the courtesies extended to us.

RECOMMENDATIONS
DECEMBER 31, 2011

Recommendations:

2011-1: It is recommended that documentation of all quotes and/or State Contract purchase numbers be attached to the paid voucher in accordance with the requirements of the Local Public Contracts Law and that all purchasing procedures be integrated into one comprehensive document.

Follow-up on Prior Year Audit Recommendations:

Recommendation: That documentation of all quotes and/or State Contract purchase numbers be attached to the paid voucher in accordance with the requirements of the Local Public Contracts Law and that all purchasing procedures be documented.

Status: Significant improvement has occurred in spite of the late filing of the prior year annual audit.

RECOMMENDATIONS
DECEMBER 31, 2011
(CONTINUED)

The problems and weaknesses noted in our audit were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to my comments or recommendations, or should you desire assistance in implementing my recommendations, please do not hesitate to call me.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "G. Stankiewicz". The signature is written in a cursive style with a large initial "G" and "S".

Gerard Stankiewicz, CPA, RMA
For The Firm
SAMUEL KLEIN AND COMPANY