

**FIRE DISTRICT NO. 1
OF THE TOWNSHIP OF SOUTH BRUNSWICK**

Financial Statements

For the year ended December 31, 2010

(With Independent Auditors' Report thereon)

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INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District No. 1 of the Township of South Brunswick:

We have audited the accompanying financial statements of the governmental activities of each major fund, of Fire District No. 1 of the Township of South Brunswick, County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fire District No. 1 of the Township of South Brunswick's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the New Jersey Department of Treasury, Office of Management and Budget and in compliance with audit requirements as prescribed by the Division of Local Government Services, Department of Community of 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 evaluation 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 financial position of the governmental activities of each major fund of Fire District No. 1 of the Township of South Brunswick, County of Middlesex, State of New Jersey, as of December 31, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2011, on our consideration of the Fire District No. 1 of the Township of South Brunswick's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 6 and 28 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fire District No. 1 of the Township of South Brunswick financial statements as a whole. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

HOLMAN & FRENIA, P.C.

HOLMAN & FRENIA, P.C.
Certified Public Accountants

April 11, 2011
Toms River, New Jersey

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

Board of Fire Commissioners
Fire District No. 1 of the Township of South Brunswick:

We have audited the financial statements of Fire District No. 1 of the Township of South Brunswick, County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2010, which collectively comprise the Fire District No. 1 of the Township of South Brunswick's basic financial statements and have issued our report thereon dated April 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fire District No. 1 of the Township of South Brunswick's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fire District No. 1 of the Township of South Brunswick's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fire District No. 1 of the Township of South Brunswick's internal control over financial reporting.

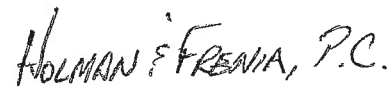
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a significant deficiency,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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all significant deficiencies or material weaknesses have been identified. However, as discussed in the comments and recommendation section, we identified deficiencies in internal control over financial reporting that we consider to be material weaknesses, as items 2010-01 and 2010-03. We also identified certain deficiencies in internal control that we consider to be significant deficiencies, as item 2010-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fire District No. 1 of the Township of South Brunswick's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 Local Government Services, Department of Community Affairs, State of New Jersey and described in the comments and recommendation section of this report as items 2010-01 and 2010-02.

This report is intended solely for the information of Fire District No. 1 of the Township of South Brunswick's management and respective state agencies and is not intended to be and should not be used by anyone other than these specified parties.


HOLMAN & FRENIA, P.C.
Certified Public Accountants

April 11, 2011
Toms River, New Jersey



April 11, 2011

Board of Commissioners of
Fire District No. 1 of the Township of South Brunswick
County of Middlesex
Kendall Park, New Jersey 08824

The Management's Discussion and Analysis (MD&A) is an element of required supplementary information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" issued in June 1999.

Financial Statements

The financial statements included in this report are the District Wide Financial Statements of Net Assets and the Statement of Activities for the year ended December 31, 2010.

The District Wide Financial Statement of Net Assets shows the financial position of the Fire District No. 1 of the Township of South Brunswick (the District) at December 31. Assets are compared with Liabilities and Net Assets are the result.

Statement of Activities measure performance for the year and how this performance impacts Net Assets.

Financial Analysis

The District, at December 31, 2010, has total net assets of \$3,285,770 compared to \$3,183,066 at December 31, 2009. The increase of \$102,704 can be attributed to proceeds from the sale of the District's 1994 Hummer Brush Truck and an insurance refund.

The District liabilities of \$614,781 at December 31, 2010 decreased from \$896,213 compared to the prior year. The District made payments of approximately \$195,000 towards capital leases. Additionally, the District made a principal bond payment of \$70,000 during the year ended December 31, 2010.

In summary, net assets increased by \$102,704 for the year ended December 31, 2010.

Commissioners of Fire District No.1
In the Township of South Brunswick, County of Middlesex
P.O. Box 68, Kendall Park, NJ 08824-0068
732-297-9900 Fax 732-297-4247 Web Site www.sbfd1.org

Condensed Financial Information

Key District financial information for the years 2010 and 2009 include the following balances:

	Assets	
	<u>2010</u>	<u>2009</u>
Unrestricted current assets	\$ 1,155,463	\$ 1,079,183
Property, plant and equipment, net of depreciation	<u>2,745,088</u>	<u>3,000,096</u>
Total assets	<u>\$ 3,900,551</u>	<u>\$ 4,079,279</u>

Liabilities and Net Assets

Liabilities	\$ 614,781	\$ 896,213
Net assets – investment in capital assets	2,987,200	2,147,119
Net assets – restricted	336,466	-
Net assets – unrestricted	<u>(37,896)</u>	<u>1,035,947</u>
Liabilities and net assets	<u>\$ 3,900,551</u>	<u>\$ 4,079,279</u>

Other Financial Information:

Total operating/non-operating revenues	\$ 855,302	\$ 770,705
Total operating/non-operating expenses	<u>752,596</u>	<u>808,242</u>
Excess revenues over expenses	<u>\$ 102,706</u>	<u>\$ (37,537)</u>
Capital spending, net	318,515	246,745

The District's total 2010 operating expenses were under budget for the year.

Note from the District's Management

The District's financial report is designed to provide users of the financial statements with a general overview of the District's finances and to show the District's accountability for the money it receives. The financial statements of the District are a matter of public record and may be examined at P.O. Box 68, Kendall Park, New Jersey 08824 during the District's business hours.

Respectfully Submitted,



Lawrence Rosenberg
Treasurer

EXHIBIT A-1

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Statement of Net Assets
December 31, 2010

	<u>Governmental Activities</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 1,120,939
Prepaid insurance	34,524
Total current assets	<u>1,155,463</u>
Fixed assets (net of depreciation)	<u>2,745,088</u>
Total assets	<u>3,900,551</u>
Liabilities:	
Current liabilities:	
Accounts payable	27,124
Bonds payable	75,000
Total current liabilities	<u>102,124</u>
Noncurrent liabilities:	
Bonds payable	440,000
Capital lease payable	72,657
Total noncurrent liabilities	<u>512,657</u>
Total liabilities	<u>614,781</u>
Net assets:	
Investments in capital assets, net of related debt	2,987,200
Restricted net assets:	
Encumbrances	41,207
Capital	295,259
Unrestricted net assets:	
Undesignated	(417,144)
For subsequent year's expenditures	379,248
Total net assets	<u><u>\$ 3,285,770</u></u>

See independent auditors' report.

See accompanying notes to financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Statement of Activities
For the year ended December 31, 2010

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Total Governmental Activities</u>
Government activities:			
Operation appropriations:			
Administration	\$ 94,890	\$ -	\$ 94,890
Costs of operations and maintenance	569,643	-	569,643
Operating appropriations offset with revenues	53,195	-	53,195
Length of service award contribution	34,868	-	34,868
	<u>752,596</u>	<u>-</u>	<u>752,596</u>
Total government activities			
General revenues:			
Miscellaneous revenue			87,897
Operating grant revenues			6,298
Amount raised by taxation			761,107
			<u>855,302</u>
Total general revenues			
Excess of revenues over expenditures			102,706
Net assets, January 1			<u>3,183,064</u>
Net assets, December 31			<u><u>\$ 3,285,770</u></u>

See independent auditors' report.
See accompanying notes to financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Governmental Funds
Balance Sheet
December 31, 2010

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total (Memorandum Only)</u>
Assets:				
Current assets:				
Cash and cash equivalents	\$ 291,170	\$ 829,769	\$ -	\$ 1,120,939
Interfund receivable	534,510	-	-	534,510
Total assets	<u>\$ 825,680</u>	<u>\$ 829,769</u>	<u>\$ -</u>	<u>\$ 1,655,449</u>
Liabilities, equity and other credits:				
Accounts payable	\$ 27,124	\$ -	\$ -	\$ 27,124
Interfund payable	-	534,510	-	534,510
Total liabilities	<u>27,124</u>	<u>534,510</u>	<u>-</u>	<u>561,634</u>
Fund balances:				
Reserved:				
For encumbrances	41,207	-	-	41,207
For capital	-	-	-	-
Total reserved	<u>41,207</u>	<u>-</u>	<u>-</u>	<u>41,207</u>
Unreserved:				
Undesignated	378,101	295,259	-	673,360
For subsequent year's expenditures	379,248	-	-	379,248
Total unreserved	<u>757,349</u>	<u>295,259</u>	<u>-</u>	<u>1,052,608</u>
Total fund balance	<u>798,556</u>	<u>295,259</u>	<u>-</u>	<u>1,093,815</u>
Total liabilities and fund balance	<u>\$ 825,680</u>	<u>\$ 829,769</u>	<u>\$ -</u>	

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

Prepaid insurance is reported in governmental funds as expenditures. However, in the statement of net assets, the cost of those assets is expensed over the term of the policy as insurance expense.

34,524

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$4,610,668 and the accumulated depreciation is \$1,865,580.

2,745,088

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

(587,657)

Net assets of governmental activities

\$ 3,285,770

See independent auditors' report.
See accompanying notes to financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2010

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals (Memorandum Only)</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 2,337	\$ -	\$ -	\$ 2,337
Other revenue	85,560	-	-	85,560
Total miscellaneous revenues	<u>87,897</u>	<u>-</u>	<u>-</u>	<u>87,897</u>
Operating grant revenues:				
Supplemental fire service act	<u>6,298</u>	<u>-</u>	<u>-</u>	<u>6,298</u>
Total operating grant revenue	<u>6,298</u>	<u>-</u>	<u>-</u>	<u>6,298</u>
Total revenues	<u>94,195</u>	<u>-</u>	<u>-</u>	<u>94,195</u>
Amount raised by taxation to support district budget	<u>345,818</u>	<u>96,774</u>	<u>318,515</u>	<u>761,107</u>
Total anticipated revenues	<u>440,013</u>	<u>96,774</u>	<u>318,515</u>	<u>855,302</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	62,590	-	-	62,590
Fringe benefits	1,776	-	-	1,776
Other expenditures:				
Professional fees	14,532	-	-	14,532
Elections	586	-	-	586
Medical services	9,095	-	-	9,095
Membership dues/software/subscriptions	1,209	-	-	1,209
Office supplies	4,223	-	-	4,223
Advertising	879	-	-	879
Total administration	<u>94,890</u>	<u>-</u>	<u>-</u>	<u>94,890</u>

See independent auditors' report.

See accompanying notes to financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2010

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals (Memorandum Only)</u>
Cost of operations and maintenance:				
Other expenditures:				
Fire protection services	121,450	-	-	121,450
Insurance	58,387	-	-	58,387
Incentive program	12,224	-	-	12,224
Sub station	30,633	-	-	30,633
Communication costs	7,195	-	-	7,195
Fire prevention program	5,047	-	-	5,047
Travel	4,194	-	-	4,194
Training and education	5,105	-	-	5,105
Firefighter fitness	3,780	-	-	3,780
Firefighting support	156	-	-	156
Equipment maintenance and repairs	27,799	-	-	27,799
Firefighting supplies	4,970	-	-	4,970
Support services - EMS	5,000	-	-	5,000
Ladder/hose testing	4,145	-	-	4,145
Public relations	15,235	-	-	15,235
Uniforms	965	-	-	965
Maintenance agreements	1,749	-	-	1,749
Other non-bondable assets	22,151	-	-	22,151
Miscellaneous expense	10,604	-	-	10,604
Total cost of operations and maintenance	<u>340,789</u>	<u>-</u>	<u>-</u>	<u>340,789</u>
Length of service award program	<u>34,868</u>	<u>-</u>	<u>-</u>	<u>34,868</u>
Debt service for capital appropriations:				
Bond principal	-	-	70,000	70,000
Interest on bonds	-	-	33,290	33,290
Capital leases	-	-	195,320	195,320
Interest on capital leases	-	-	19,905	19,905
Total debt service for capital appropriations	<u>-</u>	<u>-</u>	<u>318,515</u>	<u>318,515</u>
Total governmental expenditures	<u>470,547</u>	<u>-</u>	<u>318,515</u>	<u>789,062</u>
Excess (deficiency) of revenues under (over) expenditures	<u>(30,534)</u>	<u>96,774</u>	<u>-</u>	<u>66,240</u>
Fund balance, January 1	837,462	198,485	-	1,035,947
Prior period adjustment	<u>(8,372)</u>	<u>-</u>	<u>-</u>	<u>(8,372)</u>
Fund balance, January 1 (restated)	<u>829,090</u>	<u>198,485</u>	<u>-</u>	<u>1,027,575</u>
Fund balance, December 31	<u>\$ 798,556</u>	<u>\$ 295,259</u>	<u>\$ -</u>	<u>\$ 1,093,815</u>

See independent auditors' report.
See accompanying notes to financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK

Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance in
the Governmental Funds to the Statement of Activities
December 31, 2010

Total net changes in Fund Balance-Governmental Funds (B-2)	\$	66,240
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Amounts reported for governmental activities in the statement of activities (A-2) are different because:

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

Capital Outlays-General Fund	16,945	
Depreciation Expense	<u>(271,951)</u>	(255,006)

Prepaid insurance is reported in governmental funds as expenditures. However, in the statement of net assets, the cost of those assets is expensed over the term of the policy as insurance expense.

Prior year	(8,372)	
Current year	<u>34,524</u>	26,152

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.

70,000

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.

195,320

Changes in net assets of governmental activities

\$ 102,706

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK

Fiduciary Funds

Statement of Net Assets

December 31, 2010

	Length of Service Award <u>Program</u>	Total <u>(Memorandum Only)</u>
Assets:		
Investments	\$ 292,438	\$ 292,438
Total assets	<u>292,438</u>	<u>292,438</u>
Net assets:		
Reserved:		
For Length of Service Award Program	<u>292,438</u>	<u>292,438</u>
Total net assets	<u>\$ 292,438</u>	<u>\$ 292,438</u>

See independent auditors' report.

See accompanying notes to financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK

Fiduciary Funds

Statement of Changes in Net Assets
For the year ended December 31, 2010

	Length of Service Award Program	Total (Memorandum Only)
Revenues and other financing sources:		
District contributions	\$ 34,868	\$ 34,868
Total contributions	34,868	34,868
Investment earnings:		
Interest	35,799	35,799
Total investment earnings	35,799	35,799
Total revenues and other financing sources	70,667	70,667
Expenditures:		
Benefits paid directly to participants	27,719	27,719
Administrative expenses	1,640	1,640
Total expenditures	29,359	29,359
Excess of revenues and other financing sources over expenditures	41,308	41,308
Fund balance, January 1	-	-
Prior period adjustment	251,130	251,130
Fund balance, January 1 (restated)	251,130	251,130
Fund balance, December 31	\$ 292,438	\$ 292,438

See independent auditors' report.

See accompanying notes to financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements
For the year ended December 31, 2010

NOTE 1: GENERAL INFORMATION

A. Description of Reporting Entity

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

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

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

B. District Officials

The District is governed by a board of five commissioners. The following were in office at December 31, 2010:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
Dean Behrend	2013
William Orchard	2012
Kris Olson	2014
Lawrence Rosenberg	2014
Arthur Tarnowski	2013

C. Accounting Records

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

D. Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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

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

B. Fund Accounting

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

Governmental Funds:

General Fund

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

Capital Projects Fund

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

Debt Service Fund

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

Fiduciary Funds:

Trust and Agency Fund

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

C. District Wide and Fund Financial Statements

District Wide Financial Statements

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

The district-wide financial statements (A-1 and A-2) include the statement of net assets and the statement of activities. These statements report financial information of the District as a whole excluding the fiduciary activities. All inter-fund activity, excluding the fiduciary funds, has been eliminated in the statement of activities. Individual funds are not displayed but the statements distinguish governmental activities as generally supported through taxes and user fees.

Fund Financial Statements

The fund financial statements provide detail of the governmental and fiduciary funds.

D. Budgets and Budgetary Accounting

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

The fire commissioners must introduce and approve the annual budget no later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for a public

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets and Budgetary Accounting (continued)

hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the fire district. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the fire commissioners may, by majority vote, adopt the budget.

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

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

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

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

Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current year-end. The encumbrances at December 31, 2010 totaled \$41,207.

F. Cash and Cash Equivalents

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

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash and Cash Equivalents (continued)

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

G. Prepaid Expenses

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

H. Debt Limitation

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

I. Capital Assets

Capital assets, which include land, building, improvements and equipment, are reported in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. The District has set capitalization thresholds for reporting capital assets of \$1,000.

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

Building and Improvements	5 to 40 Years
Furniture and Equipment	5 to 15 Years
Vehicles and Apparatus	5 to 20 Years

J. Inventory, Materials and Supplies

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Interfund Receivable/Payable

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

L. Revenues and Expenditures

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

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

M. Fire District Taxes

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

N. 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.

O. Use of Estimates

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

P. Subsequent Events

Fire District No. 1 of the Township of South Brunswick has evaluated subsequent events occurring after December 31, 2010 through the date of April 11, 2011, which is the date the financial statements were available to be issued. See Note 12.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2010

NOTE 3: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

The Fire District is permitted by *N.J.S.A.40A:5-15.1* to invest monies in the following types of securities if suitable for registry: (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America; (2) Government money market mutual funds; (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor; (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located; (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of Treasury for investment by local units; (6) Local government investment pools; (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or (8) Agreements for the repurchase of fully collateralized securities, if: (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. of this statute; (b) the custody of collateral is transferred to a third party; (c) the maturity of the agreement is not more than 30 days; (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and (e) a master repurchase agreement providing for the custody and security of collateral is executed.

The Fire District invests available cash in savings accounts and certificates of deposits that are secured by federal obligations. Investments are recorded on a cost basis as cash in the financial statements regardless of the length or maturity of investment.

The Fire District is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2010, and reported at fair value are as follows:

<u>Type</u>	<u>Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand Deposits	N/A	N/A	\$ 1,120,939
Investments	N/A	N/A	<u>292,438</u>
Total Deposits			<u>\$ 1,413,377</u>
Reconciliation to Governmental and Fiduciary Fund Statements:			
Governmental funds			\$ 1,120,939
Fiduciary funds			<u>292,438</u>
Total			<u>\$ 1,413,377</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2010

NOTE 3: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

A. Custodial Credit Risk

Deposits in financial institutions, reported as components of cash and cash equivalents had a bank balance of \$1,037,613 at December 31, 2010. Of the bank balance \$457,844 was fully insured by depository insurance and \$579,769 was secured by a collateral pool held by the bank, but not in the Fire District's name, as required by New Jersey New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Governmental Unit Deposit Protection Act is more fully described in Note 4.

B. Investment Interest Rate Risk

The Fire District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at December 31, 2010, are provided in the above schedule.

C. Investment Credit Risk

The Fire District has no investment policy that limits its investment choices other than the limitation of state law as follows:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;
- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Fire District or bonds or other obligations of the local unit or units within which the Fire District is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Fire District;
- Local Government investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2010

NOTE 3: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

D. Concentration of Investment Credit Risk

The Fire District places no limit on the amount it may invest in any one issuer. At December 31, 2010, the Fire District had investments that totaled \$292,438. The entire amount is invested in a LOSAP program with Lincoln Financial Group and is not insured by FDIC insurance or GUDPA, but is insured by SIPC.

NOTE 4: GOVERNMENTAL UNIT DEPOSIT PROTECTION ACT (GUDPA)

The Fire District has deposited cash in 2010 with an approved public fund depository qualified under the provisions of the Government Unit Deposit Protection Act.

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

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

In the event of a default, the Commissioner of Banking within 20 days after the default occurrence shall ascertain the amount of public funds on deposit in the defaulting depository and the amounts covered by federal deposit insurance and certify the amounts to each affected governmental unit. Within 10 days after receipt of this certification, each unit shall furnish to the Commissioner verified statements of its public deposits. The Commissioner shall ascertain the amount derived or to be derived from the liquidation of the collateral maintained by the defaulting depository and shall distribute such proceeds pro rata among the governmental units to satisfy the net deposit liabilities to such units.

If the proceeds of the sale of the collateral are insufficient to pay in full the liability to all affected governmental units, the Commissioner shall assess the deficiency against all other public depositories having public funds on deposit determined by a formula determined by law. All sums collected by the Commissioner shall be paid to the governmental units having deposits in the defaulting depository in the proportion that the net deposit liability to each such governmental unit bears to the aggregate of the net deposit liabilities to all such governmental units.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2010

NOTE 4: GOVERNMENTAL UNIT DEPOSIT PROTECTION ACT (GUDPA) (continued)

All public depositories are required to furnish information and reports dealing with public funds on deposit every six months, June 30th and December 31st, with the Commissioner of Banking. Any public depository which refuses or neglects to give any information so requested may be excluded by the Commissioner from the right to receive public funds for deposit until such time as the Commissioner shall acknowledge that such depository has furnished the information requested.

Upon review and approval of the Certification Statement that the public depository complies with statutory requirements, the Commissioner issues forms approving the bank as a municipal depository. The Fire District should request copies of these approval forms semiannually to assure that all depositories are complying with requirements.

NOTE 5: FIXED ASSETS

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

Fixed assets consisted of the following at December 31, 2010:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Apparatus	\$ 2,493,181	\$ -	\$ -	\$ 2,493,181
Equipment	522,225	16,945	-	539,170
Substation	1,578,317	-	-	1,578,317
	<hr/>	<hr/>	<hr/>	<hr/>
Totals at historical cost	4,593,723	16,945	-	4,610,668
	<hr/>	<hr/>	<hr/>	<hr/>
Less: accumulated depreciation				
Apparatus	(808,604)	(124,659)	-	(933,263)
Equipment	(448,737)	(107,834)	-	(556,571)
Substation	(336,288)	(39,458)	-	(375,746)
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	(1,593,629)	(271,951)	-	(1,865,580)
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets being depreciated net of accumulated depreciation	<u>\$ 3,000,094</u>	<u>\$ (255,006)</u>	<u>\$ -</u>	<u>\$ 2,745,088</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2010

NOTE 6: LONG-TERM OBLIGATIONS

During the year ended December 31, 2010, the following changes occurred in long-term obligations:

	Principal Outstanding <u>January 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	Principal Outstanding <u>December 31, 2010</u>	Due Within <u>One Year</u>
General Serial Bonds	\$ 585,000	\$ -	\$ 70,000	\$515,000	\$ 75,000
Obligations under Capital Lease	<u>267,977</u>	<u>-</u>	<u>195,320</u>	<u>72,657</u>	<u>-</u>
Total Governmental Activities					
Long-term Liabilities	<u>\$ 852,977</u>	<u>\$ -</u>	<u>\$265,320</u>	<u>\$587,657</u>	<u>\$ 75,000</u>

A. Bonds Payable

Bonds and loans are authorized in accordance with State law by the voters of the Fire District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Fire District are general obligation bonds.

On January 1, 1997, the Fire District issued \$1,250,000 general obligation bonds at interest rates varying from 4% to 6.25% for various construction and renovation projects. The final maturity of these bonds is January 1, 2017.

Principal and interest due on bonds outstanding is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 75,000	\$ 27,251	\$ 102,251
2013	80,000	22,873	102,873
2014	85,000	18,190	103,190
2015	90,000	13,202	103,202
2016-2017	<u>185,000</u>	<u>10,781</u>	<u>195,781</u>
	<u>\$ 515,000</u>	<u>\$ 92,297</u>	<u>\$ 607,297</u>

B. Capital Leases Payable

The Fire District is leasing fire trucks totaling \$854,009 under capital leases. All capital leases are for term of seven years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at December 31, 2010.

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	<u>\$ 72,657</u>	<u>\$ 3,538</u>	<u>\$ 76,195</u>
	<u>\$ 72,657</u>	<u>\$ 3,538</u>	<u>\$ 76,195</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2010

NOTE 7: LENGTH OF SERVICE AWARDS PROGRAM

The District has a contractual agreement to award an annuity to volunteer firefighters based on length of service to insure continued service.

The Board of Commissioners had a Length of Service Award reserve of approximately \$292,000 as of December 31, 2010.

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

NOTE 8: FUNDING

The activities of the Board of Commissioners are primarily funded by the striking of the fire tax on the property owners of the Fire District, as provided for by the state statute. For the year ended December 31, 2010, the fire tax rate on the Fire District No. 1 was approximately \$.079 per \$100 of assessed valuation.

The tax revenue is supplemented by income earned on surplus funds invested in a money market fund and investments during the year. The District also participates in the Supplemental Fire Services Program and received a basic entitlement grant of approximately \$6,298.

NOTE 9: RISK MANAGEMENT

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

Property and Liability Insurance

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

NOTE 10: INTERFUND RECEIVABLE/PAYABLE

As of December 31, 2010, the following interfund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 534,510	\$ -
Capital projects	-	534,510
Total	<u>\$ 534,510</u>	<u>\$ 534,510</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Notes to Financial Statements (continued)
For the year ended December 31, 2010

NOTE 11: PRIOR PERIOD ADJUSTMENT

In 2010, it was determined that the District's budgetary records as of December 31, 2009 were not recorded in accordance with *N.J.A.C. 5:31-7-1*. The following adjustments were needed:

The general fund had recorded prepaid expenses and therefore overstated the assets by \$8,372. The District corrected this with an adjustment to the prior year retained earnings.

The fiduciary fund had not recorded the activities of the Length of Service Award Program. This resulted in an adjustment to net assets of \$251,130.

NOTE 12: SUBSEQUENT EVENTS

On February 11, 2011, the Fire District No. 1 of the Township of South Brunswick purchased a rescue truck for \$781,155 under a capital lease.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Budgetary Comparison Schedule
All Governmental Funds
For the year ended December 31, 2010

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 7,000	\$ 7,000	\$ 2,337	\$ (4,663)
Other revenue	-	-	85,560	85,560
Total miscellaneous revenues	7,000	7,000	87,897	80,897
Operating grant revenues:				
Supplemental fire service act	-	-	6,298	6,298
Total operating grant revenue	-	-	6,298	6,298
Total revenues	7,000	7,000	94,195	87,195
Amount raised by taxation to support district budget	761,107	761,107	761,107	-
Total anticipated revenues	768,107	768,107	855,302	87,195
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	121,000	121,000	62,590	58,410
Fringe benefits	2,000	2,000	1,776	224
Other expenditures:				
Professional fees	24,000	24,000	14,532	9,468
Elections	500	500	586	(86)
Furnishings	1,000	1,000	-	1,000
Medical services	10,000	10,000	9,095	905
Membership dues/software/subscriptions	750	750	1,209	(459)
Office supplies	7,500	7,500	4,223	3,277
Advertising	1,500	1,500	879	621
Total administration	168,250	168,250	94,890	73,360

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Budgetary Comparison Schedule
All Governmental Funds
For the year ended December 31, 2010

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Cost of operations and maintenance:				
Other expenditures:				
Fire protection services	121,500	121,500	121,450	50
Insurance	70,000	70,000	58,387	11,613
Incentive program	18,000	18,000	12,224	5,776
Sub station	42,500	42,500	30,633	11,867
Communication costs	10,000	10,000	7,195	2,805
Fire prevention program	7,000	7,000	5,047	1,953
Travel	10,000	10,000	4,194	5,806
Training and education	4,500	4,500	5,105	(605)
Firefighter fitness	5,000	5,000	3,780	1,220
Firefighting support	500	500	156	344
Equipment maintenance and repairs	27,500	27,500	27,799	(299)
Firefighting supplies	5,000	5,000	4,970	30
Support services - EMS	5,000	5,000	5,000	-
Ladder/hose testing	4,500	4,500	4,145	355
Public relations	15,000	15,000	15,235	(235)
Uniforms	650	650	965	(315)
Maintenance agreements	4,000	4,000	1,749	2,251
Other non-bondable assets	40,000	40,000	22,151	17,849
Miscellaneous expense	-	-	10,604	(10,604)
Total cost of operations and maintenance	390,650	390,650	340,789	49,861
Length of service award program	67,000	67,000	34,868	32,132
Capital outlay	96,774	96,774	-	96,774
Debt service for capital appropriations:				
Bond principal	70,000	70,000	70,000	-
Interest on bonds	35,233	35,233	33,290	1,943
Capital leases	267,976	267,976	195,320	72,656
Interest on capital leases	12,517	12,517	19,905	(7,388)
Total debt service for capital appropriations	385,726	385,726	318,515	67,211
Total operating appropriations	1,108,400	1,108,400	789,062	319,338
Excess (deficiency) of revenues under (over) expenditures	(340,293)	(340,293)	66,240	406,533
Fund balance, January 1	1,035,947	1,035,947	1,035,947	-
Prior period adjustment	(8,372)	(8,372)	(8,372)	-
Fund balance, January 1 (restated)	1,027,575	1,027,575	1,027,575	
Fund balance, December 31	\$ 687,282	\$ 687,282	\$ 1,093,815	\$ 406,533

EXHIBIT I-1

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Long-Term Debt
Schedule of Serial Bonds Payable
For the year ended December 31, 2010

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u>
			<u>Date</u>	<u>Amount</u>		<u>January 1, 2010</u>			<u>December 31, 2010</u>
General Obligation Bonds, 1997	01/01/1997	1,250,000	1/1/12	75,000	5.650%	\$ 585,000	\$ -	\$ 70,000	\$ 515,000
			1/1/13	80,000	5.650%				
			1/1/14	85,000	5.700%				
			1/1/15	90,000	5.700%				
			1/1/16	90,000	5.750%				
			1/1/17	95,000	5.750%				
Total						\$ 585,000	\$ -	\$ 70,000	\$ 515,000

EXHIBIT I-2

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK
Long-Term Debt
Schedule of Obligations Under Capital Leases
For the year ended December 31, 2010

<u>Description</u>	<u>Date of Lease</u>	<u>Term of Lease</u>	<u>Amount of Original Issue</u>		<u>Interest Rate Payable</u>	<u>Amount Outstanding January 1, 2010</u>		<u>Issued</u>	<u>Retired</u>	<u>Amount Outstanding December 31, 2010</u>	
			<u>Principal</u>	<u>Interest</u>		<u>January 1, 2010</u>	<u>January 1, 2010</u>			<u>December 31, 2010</u>	<u>December 31, 2010</u>
Pumper Truck	12/8/03	7 years	389,458	47,046	3.98%	\$ 59,972	\$ -	\$ -	\$ 59,972	\$ -	-
Pumper	7/28/06	7 years	464,551	68,815	4.87%	208,005	-	-	135,348	72,657	72,657
Total						\$ 267,977	\$ -	\$ -	\$ 195,320	\$ 72,657	72,657



Certified Public Accountants & Consultants

Board of Fire Commissioners
Fire District No. 1 of the Township of South Brunswick
Kendall Park, New Jersey

We have audited the basic financial statements of the Fire District No. 1 of the Township of South Brunswick, County of Middlesex, State of New Jersey for the year ended December 31, 2010. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS

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

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$21,000 from January 1, 2010 through June 30, 2010 and \$26,000 thereafter, except by contract or agreement.

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

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

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

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$3,150 from January 1, 2010 through June 30, 2010 and \$3,900 thereafter "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

Examination of Client Records

An examination of client records was performed. The results of the examination disclosed the following:

Examination of Cash Receipts

A test check of cash receipts was made. The results of the examination disclosed the following:

Finding 2010-01:

During our testing of timely deposits, it was noted that one (1) of the seven (7) receipts was not deposited within forty-eight (48) hours of receipt as per N.J.S.A.40A:5-15.

Recommendation:

All deposits must be made within forty-eight (48) business hours of receipt.

Examination of Bills

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

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of December 31, 2010 for proper classification of orders as reserve for encumbrances and accounts payable. The following was noted:

Finding 2010-02:

It was noted that during our audit that the District does not properly record accounts payable and encumbrances.

Recommendation

That the District review open purchase orders at year-end to ensure that they are correctly classified and charges are correct.

Property, Plant & Equipment

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

Finding 2010-03:

The District does not maintain a complete and accurate fixed asset listing.

Recommendation:

The District must properly maintain a complete and accurate fixed asset listing.

Acknowledgment

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

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

Should you have any questions, please contact us.

HOLMAN & FRENIA, P.C.

HOLMAN & FRENIA, P.C.
Certified Public Accountants

April 11, 2011
Toms River, New Jersey