

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

**Financial Statements**

**For the year ended December 31, 2012**

**(With Independent Auditors' Report thereon)**

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Financial Statements**  
**For the year ended December 31, 2012**  
**(With Independent Auditors' Report thereon)**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 1 of the Township of South Brunswick, County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### *Auditors' Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 1 of the Township of South Brunswick, County of Middlesex, State of New Jersey, as of December 31, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6-7 and 29-30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fire District No. 1 of the Township of South Brunswick's basic financial statements. The long-term debt schedule of serial bonds payable and the long-term debt schedule of obligations under capital leases on pages 31-32 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The long-term debt schedule of serial bonds payable and the long-term debt schedule of obligations on pages 31-32 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the long-term debt schedule of serial bonds payable and the long-term debt schedule of obligations is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2013 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* in considering Fire District No. 1 of the Township of South Brunswick's internal control over financial reporting and compliance.

*HOLMAN, FRENIA. ALLISON, P.C.*

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

March 1, 2013  
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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities and the aggregate remaining fund information of Fire District No. 1 of the Township of South Brunswick, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Fire District No. 1 of the Township of South Brunswick's basic financial statements, and have issued our report thereon dated March 1, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Fire District No. 1 of the Township of South Brunswick's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fire District No. 1 of the Township of South Brunswick's internal control. Accordingly, we do not express an opinion on the effectiveness of Fire District No. 1 of the Township of South Brunswick's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying General Comments and Recommendations that we consider to be significant deficiencies in internal control, as items 2012-01, 2012-02, and 2012-03.

## **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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 which are described in the accompanying comments and recommendations section as items 2012-01, 2012-02 and 2012-03.

### **Fire District No. 1 of the Township of South Brunswick's Response to Findings**

Fire District No. 1 of the Township of South Brunswick's response to the findings identified in our audit is described in the accompanying General Comments and Recommendations. Fire District No. 1 of South Brunswick's responses was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

March 1, 2013  
Toms River, New Jersey





March 1, 2013

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 Position and the Statement of Activities for the year ended December 31, 2012.

The District Wide Financial Statement of Net Position 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 Position is the result.

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

#### Financial Analysis

The District, at December 31, 2012, has total net position of \$3,070,821 compared to \$3,184,928 at December 31, 2011. The decrease of \$114,107 can be primarily attributed to lease purchase payments and increased administrative expenses.

The District liabilities of \$1,081,761 at December 31, 2012 decreased from \$1,267,093 compared to the prior year. This decrease is accounted for primarily because of the payments made in 2012 on the noncurrent liabilities of bond payables and capital lease payables.

In summary, net position decreased by \$114,107 for the year ended December 31, 2012.

#### Condensed Financial Information

Key District financial information for the years 2012 and 2011 include the following balances:

**Commissioners of Fire District No.1**  
In the Township of South Brunswick, County of Middlesex  
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	Assets	
	<u>2012</u>	<u>2011</u>
Unrestricted current assets	\$ 899,890	\$ 975,103
Property, plant and equipment, net of depreciation	<u>3,252,692</u>	<u>3,476,918</u>
Total assets	<u>\$ 4,152,582</u>	<u>\$ 4,452,021</u>

#### Liabilities and Net Position

Liabilities	\$ 1,081,761	\$ 1,267,093
Net position – investment in capital assets	2,212,285	2,255,763
Net position – restricted	465,259	325,259
Net position – unrestricted	<u>393,277</u>	<u>603,906</u>
Liabilities and net position	<u>\$ 4,152,582</u>	<u>\$ 4,452,021</u>

#### Other Financial Information:


Total operating/non-operating revenues	\$ 712,304	\$ 691,774
Total operating/non-operating expenses	<u>826,411</u>	<u>792,616</u>
Excess revenues over expenses	<u>\$ (114,107)</u>	<u>\$ (100,842)</u>
Capital spending	20,085	877,729

The District's total 2012 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 125 New Road, Kendall Park, New Jersey 08824 during the District's business hours.

Respectfully Submitted,

  
Lawrence Rosenberg  
Treasurer

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

## Statement of Net Position

December 31, 2012

(With comparative totals for December 31, 2011)

	Governmental Activities	
	(Memorandum Only)	
	<u>2012</u>	<u>2011</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 840,464	\$ 938,424
Accounts receivable	11,011	-
Prepaid insurance	48,415	36,679
Total current assets	899,890	975,103
Fixed assets (net of depreciation)	3,252,692	3,476,918
Total assets	4,152,582	4,452,021
Liabilities:		
Current liabilities:		
Accounts payable	20,966	22,531
Accrued interest payable	20,388	23,407
Bonds payable	85,000	80,000
Capital lease payable	104,164	100,749
Total current liabilities	230,518	226,687
Noncurrent liabilities:		
Bonds payable	275,000	360,000
Capital lease payable	576,243	680,406
Total noncurrent liabilities	851,243	1,040,406
Total liabilities	1,081,761	1,267,093
Net position:		
Investments in capital assets, net of related debt	2,212,285	2,255,763
Restricted net position:		
Capital	355,259	325,259
Designated for subsequent year's expenditures - Capital	110,000	-
Unrestricted net position:		
Undesignated	183,727	322,356
Designated for subsequent year's expenditures	209,550	281,550
Total net position	\$ 3,070,821	\$ 3,184,928

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Statement of Activities**  
**For the year ended December 31, 2012**  
**(With comparative totals for year ended December 31, 2011)**

	Expenses	Charges for Services	Governmental Activities	
			2012	(Memorandum Only) 2011
Government activities:				
Operation appropriations:				
Administration	\$ 122,514	\$ -	\$ 122,514	\$ 102,645
Costs of operations and maintenance	614,171	-	614,171	626,361
Operating appropriations offset with revenues	51,614	-	51,614	26,218
Length of service award contribution	38,112	-	38,112	37,392
Total government activities	826,411	-	826,411	792,616
General revenues:				
Miscellaneous revenue			1,006	1,824
Operating grant revenues			6,298	6,298
Amount raised by taxation			705,000	683,652
Total general revenues			712,304	691,774
Change in net position			(114,107)	(100,842)
Net position, January 1			3,184,928	3,285,770
Net position, December 31			\$ 3,070,821	\$ 3,184,928

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2012**  
**(With comparative totals for December 31, 2011)**

				<u>Totals</u>	
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>December 31, 2012</u>	<u>(Memorandum Only) December 31, 2011</u>
Assets:					
Current assets:					
Cash and cash equivalents	\$ 109,383	\$ 731,081	\$ -	\$ 840,464	\$ 938,424
Accounts receivable	11,011	-	-	11,011	-
Interfund receivable	375,822	-	-	375,822	405,408
Total assets	<u>\$ 496,216</u>	<u>\$ 731,081</u>	<u>\$ -</u>	<u>\$ 1,227,297</u>	<u>\$ 1,343,832</u>
Liabilities, equity and other credits:					
Accounts payable	\$ 20,966	\$ -	\$ -	\$ 20,966	\$ 22,531
Interfund payable	-	375,822	-	375,822	405,408
Total liabilities	<u>20,966</u>	<u>375,822</u>	<u>-</u>	<u>396,788</u>	<u>427,939</u>
Fund balances:					
Restricted for:					
Capital	-	245,259	-	245,259	325,259
For subsequent year's expenditures - Capital	-	110,000	-	110,000	-
Assigned for:					
For subsequent year's expenditures	209,550	-	-	209,550	281,550
Other purposes	-	-	-	-	-
Unassigned, reported in:					
General fund	265,700	-	-	265,700	309,084
Total fund balance	<u>475,250</u>	<u>355,259</u>	<u>-</u>	<u>830,509</u>	<u>915,893</u>
Total liabilities and fund balance	<u>\$ 496,216</u>	<u>\$ 731,081</u>	<u>\$ -</u>		
Amounts reported for governmental activities in the statement of net position (A-1) are different because:					
Prepaid insurance is reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is expensed over the term of the policy as insurance expense.				48,415	36,679
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$5,508,481, and the accumulated depreciation is \$2,255,789.				3,252,692	3,476,918
Accrued interest not recorded in current financial statements.				(20,388)	(23,407)
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.				(1,040,407)	(1,221,155)
Net position of governmental activities				<u>\$ 3,070,821</u>	<u>\$ 3,184,928</u>

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



**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, 2012**  
**(With comparative totals for year ended December 31, 2011)**

				<u>Totals</u>	
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>December 31, 2012</u>	<u>(Memorandum Only) December 31, 2011</u>
Revenues:					
Miscellaneous anticipated revenue:					
Investment income	\$ 356	\$ -	\$ -	\$ 356	\$ 830
Other revenue	650	-	-	650	994
Total miscellaneous revenues	1,006	-	-	1,006	1,824
Operating grant revenues:					
Supplemental fire service act	6,298	-	-	6,298	6,298
Total operating grant revenue	6,298	-	-	6,298	6,298
Total revenues	7,304	-	-	7,304	8,122
Amount raised by taxation to support district budget	442,638	30,000	232,362	705,000	683,652
Total anticipated revenues	449,942	30,000	232,362	712,304	691,774
Expenditures:					
Operating appropriations:					
Administration:					
Salaries and wages	98,266	-	-	98,266	66,952
Fringe benefits	1,945	-	-	1,945	1,586
Other expenditures:					
Professional fees	10,326	-	-	10,326	15,516
Elections	501	-	-	501	213
Medical services	5,944	-	-	5,944	7,735
Membership dues/software/subscriptions	645	-	-	645	379
Office supplies	4,588	-	-	4,588	9,410
Regulation compliance	-	-	-	-	106
Advertising	299	-	-	299	748
Total administration	122,514	-	-	122,514	102,645

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

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, 2012  
(With comparative totals for year ended December 31, 2011)

	Totals (Memorandum Only)				
	General Fund	Capital Projects Fund	Debt Service Fund	December 31, 2012	December 31, 2011
Cost of operations and maintenance:					
Other expenditures:					
Fire protection services	121,500	-	-	121,500	121,500
Fire marshal services	40,000	-	-	40,000	40,000
Insurance	84,933	-	-	84,933	45,139
Incentive program	13,357	-	-	13,357	11,708
Sub station	31,147	-	-	31,147	36,189
Communication costs	8,960	-	-	8,960	8,855
Fire prevention program	5,462	-	-	5,462	4,700
Travel	5,660	-	-	5,660	11,856
Training and education	6,011	-	-	6,011	3,894
Firefighter fitness	3,600	-	-	3,600	3,690
Firefighting support	-	-	-	-	374
Equipment maintenance and repairs	36,094	-	-	36,094	61,546
Firefighting supplies	3,657	-	-	3,657	2,343
Support services - EMS	5,000	-	-	5,000	5,000
Ladder/hose testing	3,821	-	-	3,821	1,031
Basic entitlement	-	-	-	-	6,300
Public relations	1,360	-	-	1,360	14,130
Uniforms	1,254	-	-	1,254	691
Transfer to other Fire Department	-	-	-	-	100,000
Other non-bondable assets	32,884	-	-	32,884	76,838
Total cost of operations and maintenance	404,700	-	-	404,700	555,784
Length of service award program	38,112	-	-	38,112	37,392
Capital appropriations	-	-	-	-	781,155
Debt service for capital appropriations:					
Bond principal	-	-	80,000	80,000	75,000
Interest on bonds	-	-	25,133	25,133	30,120
Capital leases	-	-	100,748	100,748	65,562
Interest on capital leases	-	-	26,481	26,481	3,193
Total debt service for capital appropriations	-	-	232,362	232,362	173,875
Total governmental expenditures	565,326	-	232,362	797,688	1,650,851
Other financing sources and uses:					
Proceeds from capital lease	-	-	-	-	781,155
Total other financing sources and uses:	-	-	-	-	781,155
Excess (deficiency) of revenues under (over) expenditures	(115,384)	30,000	-	(85,384)	(177,922)
Fund balance, January 1	590,634	325,259	-	915,893	1,093,815
Fund balance, December 31	\$ 475,250	\$ 355,259	\$ -	\$ 830,509	\$ 915,893

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

**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, 2012**

Total net changes in Fund Balance-Governmental Funds (B-2)	\$	(85,384)
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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	20,085	
Depreciation Expense	<u>(244,311)</u>	(224,226)

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

Prior year	(36,679)	
Current year	<u>48,415</u>	11,736

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.	80,000
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Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.	100,748
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Accrual of interest on capital leases is not an expenditure in the governmental funds, but the adjustment is charged to expense and is reported in the statement of activities.

Prior year	23,407	
Current year	<u>(20,388)</u>	3,019

Change in net position of governmental activities	\$	<u><u>(114,107)</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

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

## Fiduciary Funds

## Statement of Net Position

December 31, 2012

(With comparative totals for December 31, 2011)

	Length of Service Award Program	Totals	
		December 31, <u>2012</u>	(Memorandum Only) December 31, <u>2011</u>
Assets:			
Investments	\$ 375,654	\$ 375,654	\$ 321,181
Total assets	<u>375,654</u>	<u>375,654</u>	<u>321,181</u>
Net position:			
Reserved:			
For Length of Service Award Program	<u>375,654</u>	<u>375,654</u>	<u>321,181</u>
Total net position	<u>\$ 375,654</u>	<u>\$ 375,654</u>	<u>\$ 321,181</u>

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



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

## Fiduciary Funds

## Statement of Changes in Net Position

For the year ended December 31, 2012

(With comparative totals for year ended December 31, 2011)

	Length of Service Award Program	Totals	
		December 31, 2012	(Memorandum Only) December 31, 2011
Revenues and other financing sources:			
District contributions	\$ 38,112	\$ 38,112	\$ 37,392
Total contributions	38,112	38,112	37,392
Investment income:			
Net appreciation in fair value of investments	38,831	38,831	1,531
Total investment income	38,831	38,831	1,531
Total revenues and other financing sources	76,943	76,943	38,923
Expenditures:			
Benefits paid directly to participants	21,720	21,720	8,911
Administrative expenses	750	750	1,269
Total expenditures	22,470	22,470	10,180
Excess of revenues and other financing sources over expenditures	54,473	54,473	28,743
Net position, January 1	321,181	321,181	292,438
Net position, December 31	\$ 375,654	\$ 375,654	\$ 321,181

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements**  
**For the year ended December 31, 2012**

**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, 2012:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
William Orchard	2014
Arthur Tarnowski	2013
Lawrence Rosenberg	2015
Kris Olson	2015
Richard Josephson	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.

**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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2012**

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

**A. Basis of Presentation (continued)**

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.

*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.



**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2012**

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

**B. Fund Accounting (continued)**

*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 adopted the provisions of Governmental Accounting Standards Board Statement No. 63, Statement of Net Position as of January 1, 2012. The District’s basic financial statements reflect the implementation.

The 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 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.



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

**Notes to Financial Statements (continued)**

**For the year ended December 31, 2012**

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

**D. Budgets and Budgetary Accounting (continued)**

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. There were no encumbrances at December 31, 2012.

**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.

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.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2012**

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

**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.

**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.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2012**

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

**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, 2012 through the date of March 1, 2013, which is the date the financial statements were available to be issued.

**NOTE 3: CASH AND CASH EQUIVALENTS**

The Fire District is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2012, and reported at fair value are as follows:

**Deposits:**

Demand Deposits	\$ 840,464
Total Deposits	<u>\$ 840,464</u>

**Reconciliation to Governmental Fund Statements:**

Governmental Funds	<u>\$ 840,464</u>
Total	<u>\$ 840,464</u>



**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2012**

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

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2012, the District's bank balance of \$968,455 was insured or collateralized as follows:

Insured	\$ 237,376
Collateralized not in the District's name (New Jersey Cash Management Fund)	<u>731,079</u>
Total	<u>\$ 968,455</u>

**NOTE 4: INVESTMENTS**

**A. Custodial Credit Risk**

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

**B. Investment Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Fire District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at December 31, 2012, are provided in the below schedule.

**C. Investment Credit Risk**

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

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;
- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2012**

**NOTE 4: INVESTMENTS (continued)**

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

- 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.

As of December 31, 2012, the Fire District had the following investments and maturities:

<u>Investment</u>	<u>Fair Value</u>
LOSAP	<u>\$375,654</u>

**NOTE 5: GOVERNMENTAL UNIT DEPOSIT PROTECTION ACT (GUDPA)**

The Fire District has deposited cash in 2012 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.



**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2012**

**NOTE 5: GOVERNMENTAL UNIT DEPOSIT PROTECTION ACT (GUDPA) (continued)**

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.

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 6: 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.

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

**Notes to Financial Statements (continued)**

**For the year ended December 31, 2012**

**NOTE 6: FIXED ASSETS (continued)**

Fixed assets consisted of the following at December 31, 2012:

Apparatus	\$ 3,274,336	\$ -	\$ -	\$ 3,274,336
Equipment	635,743	20,085	-	655,828
Substation	<u>1,578,317</u>	<u>-</u>	<u>-</u>	<u>1,578,317</u>
Totals at historical cost	<u>5,488,396</u>	<u>20,085</u>	<u>-</u>	<u>5,508,481</u>
Less: accumulated depreciation				
Apparatus	(1,022,098)	(93,717)	-	(1,115,815)
Equipment	(574,176)	(111,137)	-	(685,313)
Substation	<u>(415,204)</u>	<u>(39,457)</u>	<u>-</u>	<u>(454,661)</u>
Total accumulated depreciation	<u>(2,011,478)</u>	<u>(244,311)</u>	<u>-</u>	<u>(2,255,789)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>\$ 3,476,918</u>	<u>\$ (224,226)</u>	<u>\$ -</u>	<u>\$ 3,252,692</u>

**NOTE 7: LONG-TERM OBLIGATIONS**

During the year ended December 31, 2012, the following changes occurred in long-term obligations:

	Principal Outstanding <u>January 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	Principal Outstanding <u>December 31, 2012</u>	<u>Due Within One Year</u>
General Serial Bonds	\$ 440,000	\$ -	\$ 80,000	\$ 360,000	\$ 85,000
Obligations under Capital Lease	<u>781,155</u>	<u>-</u>	<u>100,748</u>	<u>680,407</u>	<u>104,164</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 1,221,155</u>	<u>\$ -</u>	<u>\$ 180,748</u>	<u>\$ 1,040,407</u>	<u>\$ 189,164</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.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2012**

**NOTE 7: LONG-TERM OBLIGATIONS (continued)**

**A. Bonds Payable (continued)**

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>
2014	\$ 85,000	\$ 20,613	\$ 105,613
2015	90,000	15,767	105,767
2016	90,000	10,637	100,637
2017	95,000	5,463	100,463
	<u>\$ 360,000</u>	<u>\$ 52,480</u>	<u>\$ 412,480</u>

**B. Capital Leases Payable**

The Fire District is leasing fire trucks totaling \$781,155 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, 2012.

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 104,164	\$ 23,066	\$ 127,230
2014	107,695	19,535	127,230
2015	111,346	15,884	127,230
2016	115,121	12,109	127,230
2017	119,023	8,207	127,230
2018	123,058	4,172	127,230
	<u>\$ 680,407</u>	<u>\$ 82,973</u>	<u>\$ 763,380</u>

**NOTE 8: 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 \$375,654 as of December 31, 2012.

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 9: 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, 2012, the fire tax rate on the Fire District No. 1 was approximately \$.074 per \$100 of assessed valuation.



**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2012**

**NOTE 9: FUNDING (continued)**

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 10: 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 11: INTERFUND RECEIVABLE/PAYABLE**

As of December 31, 2012, the following interfund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 375,822	\$ -
Capital projects	-	375,822
Total	<u>\$ 375,822</u>	<u>\$ 375,822</u>

The purpose of interfunds are short-term borrowings.

**NOTE 12: GASB #54 FUND BALANCE DISCLOSURE**

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

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



**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2012**

**NOTE 12: GASB #54 FUND BALANCE DISCLOSURE (continued)**

**General Fund** – Of the \$475,250 General Fund fund balance at December 31, 2012, \$209,550 has been assigned to be designated for subsequent year's expenditures; and \$265,700 is unassigned.

**Capital Projects Fund** – Of the \$355,259 Capital Projects Fund fund balance at December 31, 2012, \$245,259 is restricted for Capital and \$110,000 is restricted for subsequent year's capital expenditures.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available, unless prohibited by law or regulation.

**NOTE 13: EMERGENCY APPROPRIATIONS**

Under N.J.S.A. 40A:14-78.14, the District has allocated an emergency appropriation in the amount of \$80,000 for the 2011 Fire Marshal services through an interlocal services agreement between the Township of South Brunswick and Fire District No. 1 of the Township of South Brunswick. This appropriation created a deferred charge, which was raised in the 2012 budget to cover these services.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Budgetary Comparison Schedule**  
**All Governmental Funds**  
**For the year ended December 31, 2012**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 2,300	\$ 2,300	\$ 356	\$ (1,944)
Other revenue	-	-	650	650
Total miscellaneous revenues	2,300	2,300	1,006	(1,294)
Operating grant revenues:				
Supplemental fire service act	6,300	6,300	6,298	(2)
Total operating grant revenue	6,300	6,300	6,298	(2)
Total revenues	8,600	8,600	7,304	(1,296)
Amount raised by taxation to support district budget	705,000	705,000	705,000	-
Total anticipated revenues	713,600	713,600	712,304	(1,296)
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	99,000	99,000	98,266	734
Fringe benefits	2,000	2,000	1,945	55
Other expenditures:				
Professional fees	19,500	18,500	10,326	8,174
Elections	750	750	501	249
Furnishings	1,000	1,000	-	1,000
Medical services	10,000	10,000	5,944	4,056
Membership dues/software/subscriptions	750	750	645	105
Office supplies	6,000	11,000	4,588	6,412
Regulation compliance	500	500	-	500
Advertising	1,200	1,200	299	901
Total administration	140,700	144,700	122,514	22,186

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK  
Budgetary Comparison Schedule  
All Governmental Funds  
For the year ended December 31, 2012

	<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	121,500	-
Fire marshal services	80,000	40,000	40,000	-
Insurance	47,000	97,000	84,933	12,067
Incentive program	18,000	18,000	13,357	4,643
Sub station	45,000	46,000	31,147	14,853
Communication costs	9,000	9,000	8,960	40
Fire prevention program	6,000	6,000	5,462	538
Travel	10,000	6,000	5,660	340
Training and education	4,500	9,500	6,011	3,489
Firefighter fitness	4,000	4,000	3,600	400
Firefighting support	500	500	-	500
Equipment maintenance and repairs	40,000	37,000	36,094	906
Firefighting supplies	3,500	4,000	3,657	343
Support services - EMS	5,000	5,000	5,000	-
Ladder/hose testing	6,000	6,000	3,821	2,179
Basic entitlement	6,300	6,300	-	6,300
Public relations	15,000	2,000	1,360	640
Uniforms	650	1,650	1,254	396
Maintenance agreements	2,500	1,000	-	1,000
Transfer to other Fire Department	-	-	-	-
Other non-bondable assets	40,000	40,000	32,884	7,116
Total cost of operations and maintenance	464,450	460,450	404,700	55,750
Length of service award program	45,000	45,000	38,112	6,888
Capital outlay	30,000	30,000	-	30,000
Debt service for capital appropriations:				
Bond principal	75,000	80,000	80,000	-
Interest on bonds	30,000	30,000	25,133	4,867
Capital leases	100,748	100,748	100,748	-
Interest on capital leases	29,252	24,252	26,481	(2,229)
Total debt service for capital appropriations	235,000	235,000	232,362	2,638
Total operating appropriations	915,150	915,150	797,688	117,462
Other financing sources and uses:				
Deferred charge - emergency appropriation (Note 13)	80,000	80,000	-	80,000
Total other financing sources and uses:	80,000	80,000	-	80,000
Excess (deficiency) of revenues under (over) expenditures	(281,550)	(281,550)	(85,384)	196,166
Fund balance, January 1	915,893	915,893	915,893	-
Fund balance, December 31	\$ 634,343	\$ 634,343	\$ 830,509	\$ 196,166

## 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, 2012**

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance		Issued	Retired	Balance	
			Date	Amount		January 1, 2012				December 31, 2012	
General Obligation Bonds, 1997	01/01/1997	1,250,000	1/1/14	85,000	5.700%	\$ 440,000	\$ -		\$ 80,000	\$ 360,000	
			1/1/15	90,000	5.700%						
			1/1/16	90,000	5.750%						
			1/1/17	95,000	5.750%						
			Total						\$ 440,000	\$ -	\$ 80,000



EXHIBIT I-2

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF SOUTH BRUNSWICK**  
**Long-Term Debt**  
**Schedule of Obligation Under Capital Lease**  
**For the year ended December 31, 2012**

<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, 2012</u>	<u>Issued</u>	<u>Retired</u>	<u>Adjustments</u>	<u>Amount Outstanding December 31, 2012</u>
			<u>Principal</u>	<u>Interest</u>						
Rescue Truck	2/11/11	7 years	781,155	109,453	3.39%	\$ 781,155	\$ -	\$ 100,748	\$ -	\$ 680,407
Total						\$ 781,155	\$ -	\$ 100,748	\$ -	\$ 680,407



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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, 2012. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

### GENERAL COMMENTS

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

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

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

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

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

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

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

#### **Examination of Bills**

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

**Finding 2012-01:**

N.J.S.A. 40A11-6.1 states that all contracts that, in aggregate, are less than the bid threshold but 15 percent or more of that amount must retain at least two competitive quotations. The District did not obtain competitive quotations for three contracts over the quote threshold of \$2,625.

**Recommendation:**

The District must comply with N.J.S.A. 40A11-6.1 and obtain at least two quotations for aggregate purchases over the quote threshold of \$2,625.

**Management's Response:**

This will be corrected in 2013.

**Examination of Cash Receipts**

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

**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, 2012 for proper classification of orders as reserve for encumbrances and accounts payable.

**Finding 2012-02:**

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

**Recommendation:**

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

**Management's Response:**

This will be corrected in 2013.

**Property, Plant & Equipment**

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

**Finding 2012-03\*:**

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.

**Management's Response:**

This will be corrected in 2013.

**Follow-up on Prior Years' Findings**

In accordance with *Government Auditing Standards* we have included a review of prior year findings. The previous year's audit findings have been corrected with the exception of the finding above marked with an asterisk (\*).

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

March 1, 2013  
Toms River, New Jersey