

**FIRE DISTRICT NO. 3  
TOWNSHIP OF EAST BRUNSWICK, NEW JERSEY**

**REPORT OF AUDIT**

**DECEMBER 31, 2012**

**TOWNSHIP OF EAST BRUNSWICK  
FIRE DISTRICT NO. 3  
TABLE OF CONTENTS**

---

<u>Exhibit No.</u>	<u>Page</u>
Officials in Office and Surety Bonds	1
 <b>FINANCIAL SECTION</b>	
Independent Auditor's Report	2
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	4
 <b>Required Supplementary Information - Part 1</b>	
Management's Discussion and Analysis	6
 <b>Basic Financial Statements</b>	
A.    District-wide Financial Statements	
A-1    Statement of Net Assets	13
A-2    Statement of Activities	14
B.    Fund Financial Statements	
Governmental Funds:	
B-1    Balance Sheet	15
B-2    Statement of Revenues, Expenditures, and Changes in Fund Balances	17
B-3    Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Notes to the Financial Statements	19
 <b>Required Supplementary Information - Part II</b>	
C.    Budgetary Comparison Schedules:	
C-1    Budgetary Comparison Schedule - General Fund	32

## TABLE OF CONTENTS (CONT'D)

---

<u>Exhibit No.</u>		<u>Page</u>
<b>Notes to the Required Supplementary Information</b>		
C-2	Budgetary Comparison Schedule - Note to RSI	35
<b>Other Supplementary Information</b>		
D.	Capital Projects Fund:	
D-1	Balance Sheet	36
D-2	Fund Budgetary Comparison Schedule – Capital Projects	37
E.	Long-Term Debt:	
E-1	Schedule of changes in Long Term Debt	38
E-2	Fund Budgetary Comparison Schedule – Debt Service	39
<b>Schedule of Findings and Recommendations</b>		
Schedule of Findings and Recommendation		40
Summary Schedule of Prior Year Audit Findings		41
and Recommendations as Prepared by Management		
Appreciation		42

**TOWNSHIP OF EAST BRUNSWICK**  
**FIRE DISTRICT #3**  
**2013 OFFICIALS IN OFFICE AND SURETY BONDS**

<u>NAME</u>	<u>POSITION</u>	<u>AMT. OF SURETY BOND</u>
<b><u>BOARD OF COMMISSIONERS</u></b>		
EDWARD M. BOWNE III	CHAIRMAN	(A)
RYAN FENSTERMAKER	VICE CHAIRMAN	(A)
DAVID C. WOOD	TREASURER	(A)
SCOTT M. MILLER	CLERK/SECRETARY	(A)
THOMAS DUFFY	ASST. CLERK/SECRETARY	(A)

**(A) ATLANTICS EMPLOYERS INSURANCE COMPANY PROVIDES A SURETY BOND FOR THE AMOUNT OF \$100,000.**

## **FINANCIAL SECTION**



### **INDEPENDENT AUDITOR'S REPORT**

Board of Fire Commissioners  
Township of East Brunswick  
Fire District #3  
East Brunswick, NJ 08816

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Township of East Brunswick Fire District #3, in the County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2012, which collectively comprise the Fire District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of East Brunswick Fire District #3'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; 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 requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 10, the Fire District has implemented a new financial reporting model, as required by the provisions of GASB Statement #34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of December 31, 2012.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Township of East Brunswick Fire District #3, in the County of Middlesex, State of New Jersey as of December 31, 2012, and the respective changes in financial

position thereof and 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 June 19, 2013 on our consideration of the Township of East Brunswick Fire District #3's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of East Brunswick Fire District #3's basic financial statements. The related major fund supporting statements and schedules listed in the table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements. These statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Respectfully submitted,

  
BONAMICI, COLLETTI, SOLITARIO & TIERNEY  
CERTIFIED PUBLIC ACCOUNTANTS

JUNE 19, 2013  
SPOTSWOOD, NJ



**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  
Township of East Brunswick  
Fire District #3  
East Brunswick, NJ 08816

We have audited the financial statements of the governmental activities and each major fund of the Township of East Brunswick Fire District #3, in the County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2012 and have issued our report thereon dated June 19, 2013, which indicated that the Fire District implemented a new reporting model, as promulgated by GASB Statement #34, as of and for the year ended December 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, State of New Jersey.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Township of East Brunswick Fire District #3's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the

internal control over financial reporting and its operations that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township of East Brunswick Fire District #3'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 no instances of noncompliance that are required to be reported under Government Auditing Standards, and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, State of New Jersey.

This report is intended solely for the information and use of the management of the Fire District and the Bureau of Authority Regulation and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

  
BONAMICI, COLLETTI, SOLITARIO & TIERNEY  
CERTIFIED PUBLIC ACCOUNTANTS

JUNE 19, 2013  
SPOTSWOOD, NJ

**REQUIRED SUPPLEMENTARY INFORMATION  
PART I**

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(UNAUDITED)**

As management of the Township of East Brunswick Fire District No. 3, we offer readers of the Township of East Brunswick Fire District No. 3 financial statements this narrative overview and analysis of the financial activities of the Township of East Brunswick Fire District No. 3 for the year ended December 31, 2012. The intent of this discussion and analysis is to look at the Township of East Brunswick Fire District No. 3 financial performance as a whole. Readers should also review the information furnished in the notes to the basic financial statements along with the financial statements to enhance their understanding of the Township of East Brunswick Fire District No. 3's financial performance.

**Financial Highlights**

- The assets of the Township of East Brunswick Fire District No. 3 exceeded its liabilities at the close of the most recent year by \$434,784 (Net Assets).
- As of the close of the current year, the Township of East Brunswick Fire District No. 3's governmental funds reported combined ending fund balances of \$533,935, an increase of \$32,887 in comparison with the prior year.
- At the end of the current year, the committed fund balance for the capital fund was \$163,665, approximately a .16 percent increase from the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$238,719, approximately a 15.8 percent increase from the prior year.

**Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township of East Brunswick Fire District No. 3's basic financial statements. The Township of East Brunswick Fire District No. 3's basic financial statements are comprised of three components: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

**District-wide financial statements.** The district-wide financial statements are designed to provide readers with a broad overview of the Township of East Brunswick Fire District No. 3's finances, in a manner similar to a private sector business.

The Statement of Net Assets presents information on all of the Township of East Brunswick Fire District No. 3's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township of East Brunswick Fire District No. 3 is improving or deteriorating.

The Statement of Activities presents information showing how the Township of East Brunswick Fire District No. 3's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Both of the district-wide financial statements distinguish functions of the Township of East Brunswick Fire District No. 3 that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Township of East Brunswick Fire District No. 3 include fire-fighting services that are provided to the citizens of the Township of East Brunswick Fire District No. 3.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township of East Brunswick Fire District No. 3 like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township of East Brunswick Fire District No. 3 constitute one fund type, governmental funds.

**Governmental Funds.** All of the Township of East Brunswick Fire District No. 3's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township of East Brunswick Fire District No. 3's general government operations and the basic services it provides. Government fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance fire-fighting services.

The Township of East Brunswick Fire District No. 3 maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, special revenue fund, capital projects fund, and the debt service fund.

The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Also, the Township of East Brunswick Fire District No. 3 adopts an annual budget in accordance with N.J.S.A. 40A:14:78-3. Budgetary comparison schedules have been provided to demonstrate compliance with the budget.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to financial statements are an integral part of the financial statements.

### **District-wide Financial Analysis**

As noted earlier, the net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township of East Brunswick Fire District No. 3 assets exceeded liabilities by \$434,784 at the close of the most recent year.

A portion of the Township of East Brunswick Fire District No. 3's net assets (25.4 percent) reflects its investment in capital assets (i.e. vehicles and equipment). The Township of East Brunswick Fire District No. 3 uses these capital assets to provide fire-fighting services to the citizens of the Township of East Brunswick Fire District No. 3, consequently these assets are not available for future spending. Although the Township of East Brunswick Fire District No. 3's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### **Statement of Net Assets**

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3**  
**NET ASSETS**  
**DECEMBER 31, 2012**

CURRENT AND OTHER ASSETS	\$ 688,389
CAPITAL ASSETS	<u>234,606</u>
 TOTAL ASSETS	 \$ 922,995
 LONG-TERM LIABILITIES OUTSTANDING	 \$ 342,000
OTHER LIABILITIES	<u>146,211</u>
 TOTAL LIABILITIES	 \$ 488,211
 NET ASSETS	 \$ <u>434,784</u>

## ANALYSIS OF NET ASSETS

INVESTED IN CAPITAL ASSETS NET OF RELATED DEBT	\$	(107,394)
DESIGNATED FOR DEBT SERVICE		131,551
COMMITTED FOR CAPITAL PROJECTS		163,665
UNASSIGNED		<u>246,962</u>
TOTAL NET ASSETS	\$	<u>434,784</u>

An additional portion of the Township of East Brunswick Fire District No. 3's net assets (68 percent) represents resources that are subject to external restrictions on how they may be used.

**Governmental Activities.** The Statement of Activities shows the cost of the governmental activities program services and the charges for service and grants offsetting those services. Key elements of the increase in governmental activities are as follows:

### Expenses

#### Operating Expenses:

Administration	\$	19,398
Cost of Operations and Maintenance		522,573
LOSAP Contribution		35,000
Interest on Long Term Debt		<u>4,817</u>

Total Program Expenses	\$	581,788
------------------------	----	---------

#### Program Revenues:

Operating Grants & Contributions	\$	<u>1,889</u>
----------------------------------	----	--------------

Net Program Expenses	\$	579,899
----------------------	----	---------

### General Revenues

#### Taxes:

Property Taxes, Levied for General Purposes	\$	489,308
Taxes Levied for Debt Service		118,817
Unrestricted Investment Earnings		581
Miscellaneous Income		<u>442</u>

Total General Revenues	\$	<u>609,148</u>
------------------------	----	----------------

Increase in Net Assets	\$	29,249
Net Assets, January 1	\$	385,730
Prior Period Adjustment		<u>19,805</u>
Net Assets, December 31	\$	<u>434,784</u>

Property taxes constituted 99% of revenues for government activities for the Fire District for the year 2012.

Cost of Operations and Maintenance comprises 90% of fire district expenses, with administration comprising 3%.

**Financial Analysis of the Government Funds.** As stated earlier, the Township of East Brunswick Fire District No. 3 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Fund.** The focus of the Township of East Brunswick Fire District No. 3's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Township of East Brunswick Fire District No. 3's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year and as a useful measure of permitting a governmental unit to maintain cash flow in anticipation of tax collections.

As of the end of the current year, the Township of East Brunswick Fire District No. 3's governmental funds reported combined ending fund balances of \$533,935, an increase of \$32,887 in comparison with the prior year.

Of the combined ending fund balances of \$533,935, the unassigned fund balance constituted \$238,719. Of the unassigned fund balance, none has been utilized in the 2013 budget for Township of East Brunswick Fire District No. 3. A portion of fund balance in the amount of \$163,665 is committed to indicate that it is not available for new spending during 2013 because it is committed to planned future capital outlays that are subject to the approval of the voters of the Township of East Brunswick Fire District No. 3.

The general fund is the main operating fund of the Township of East Brunswick Fire District No. 3. At the end of the current year, unassigned fund balance of the general fund was \$238,719, while the total fund balance was \$533,935.

The capital projects fund had a fund balance of \$163,665 at the end of the current year. There was an increase in this balance during the current period of \$265.

The debt service fund had a fund balance of \$131,551 at the end of the current year. This fund is designated for payment on the Inter-Local Service Agreement with the Township of East Brunswick.

## **General Fund Budgetary Highlights**

During the course of the 2012-year the Township of East Brunswick Fire District No. 3 modified its general fund budget in conformance with statute.

The key items of variance from the original budget are indicated above.

The final budgetary basis revenue estimate was \$620,614. The original budgetary estimate was the same.

During the year 2012, the Township of East Brunswick Fire District No. 3 budgeted \$608,125 for property taxes (local tax levy) and \$1,889 for state aid revenues (supplemental fire services grant).

The final budgetary basis expenditures appropriation estimate was \$620,614. The original budgetary estimate was the same.

## **Capital Assets and Debt Administration.**

The Township of East Brunswick Fire District No. 3's investment in capital assets for its governmental activities as of December 31, 2012 amounts to \$234,606 (net of accumulated depreciation). This investment in capital assets includes vehicles and firefighting equipment. The Township of East Brunswick Fire District No. 3 purchased firefighting equipment in the amount of \$35,488 during 2012.

At the end of 2012 the Township of East Brunswick Fire District No. 3 had \$1,798,860 invested in vehicles and firefighting equipment. The accumulated depreciation on these items was \$1,564,254.

### **TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3 CAPITAL ASSETS DECEMBER 31, 2012**

VEHICLES	\$ 1,559,223
FIREFIGHTING EQUIPMENT	<u>239,637</u>
TOTAL CAPITAL ASSETS	\$ <u>1,798,860</u>

Additional information on the Township of East Brunswick Fire District No. 3's capital assets can be found in Note 5 in the notes to financial statements.

## **Long-Term Obligations**

For the 2012 year, the Township of East Brunswick Fire District No. 3 had an Inter-Local Service Agreement with the Township of East Brunswick with a principal balance of \$342,000. This obligation was for the purchase of a 2009 Pierce Pumper. See Note 6 in the notes to financial statements for additional information.

## **Economic Factors and Next Years Budget**

For the 2012 year the Township of East Brunswick Fire District No. 3 was able to sustain its budget through the district tax levy and other sources of revenue. Approximately 99 percent of total revenue is from the local tax levy, while the remainder is from other sources.

The Board of Fire Commissioners adopted the 2013 budget January 8, 2013 and the voters subsequently approved the budget at the annual fire district election held on February 16, 2013.

## **Requests for Information**

This financial report is designed to provide a general overview of the East Brunswick Township Fire District No. 3's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

David Wood, Treasurer  
Township of East Brunswick  
Fire District No. 3  
P.O. Box 491  
East Brunswick, NJ 08816

## **BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS**

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3****STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2012****ASSETS:**

Cash and Cash Equivalents	\$490,107
Accounts Receivable	190,039
Prepaid Expenses	8,243
Capital Assets, net (Note 5)	<u>234,606</u>
 Total Assets	 \$922,995

**LIABILITIES:**

Accounts Payable	\$146,211
Noncurrent Liabilities (Note 6)	
Due within One Year	114,000
Due beyond One Year	<u>228,000</u>
 Total Liabilities	 \$488,211

**NET ASSETS:**

Invested in Capital assets, Net of Related debt.	(\$107,394)
Designated for Debt Service	131,551
Committed for:	
Capital Projects	163,665
General	0
 Unassigned:	
General	246,962
Capital	<u>0</u>
 Total Net Assets	 <u>\$434,784</u>

See accompanying Accountant's Report and Notes.

## TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012

## Expenses:

## Operating Appropriations:

Administration	\$19,398
Cost of Operations and Maintenance	522,573
Length of Service Award Program (LOSAP)-	
Contribution (P.L. 1997, c. 388)	35,000
Capital Appropriations	
Fire Apparatus	0
Interest on Long-Term Debt	<u>4,817</u>

Total Program Expenses	\$581,788
------------------------	-----------

## Program Revenues:

Charges for Services	\$0
Operating Grants and Contributions	<u>1,889</u>

Net Program Expenses	\$579,899
----------------------	-----------

## General Revenues:

## Taxes:

Property Taxes, Levied for General Purposes	\$489,308
Taxes Levied for Debt Service	118,817
Unrestricted Investment Earnings	581
Miscellaneous Income	<u>442</u>

Total General Revenues	<u>\$609,148</u>
------------------------	------------------

Increase in Net Assets	\$29,249
------------------------	----------

Net Assets, January 1 (Note 10)	385,730
Prior Period Adjustment	<u>19,805</u>
Net Assets, December 31	<u>\$434,784</u>

See accompanying Accountant's Report and Notes

**FUND FINANCIAL STATEMENTS**

## TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2012**

<u>ASSETS</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Cash	\$194,891		\$131,551	\$163,665	\$490,107
Due from Twp. of E. Brunswick	<u>190,039</u>	---	---	0	<u>190,039</u>
Total Assets	<u>\$384,930</u>	---	<u>\$131,551</u>	<u>\$163,665</u>	<u>\$680,146</u>

## LIABILITIES AND FUND BALANCES:

LIABILITIES:

Accounts Payable	<u>\$146,211</u>				<u>\$146,211</u>
Total Liabilities	\$146,211	---	---	---	\$146,211

FUND BALANCES:

Designated for Debt Service		\$131,551		\$131,551	
Committed:					
Future Capital Outlay			\$163,665	163,665	
Unassigned:					
General	<u>\$238,719</u>	---	---	---	<u>238,719</u>
Total Fund Balances	<u>\$238,719</u>	---	<u>\$131,551</u>	<u>\$163,665</u>	\$533,935
Total Liabilities and Fund Balances	<u>\$384,930</u>	---	<u>\$131,551</u>	<u>\$163,665</u>	

See accompanying Accountant's Report and Notes

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT #3**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2012**

	<u>TOTAL GOVERNMENTAL FUNDS</u>
Amounts reported for governmental activities in the statement of net assets (A-1) are different because:	
Payments made to vendors for services that will benefit periods beyond fiscal year end that are recorded as expenditures at the time of payment in the governmental funds.	\$ 8,243
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$1,798,860 and the accumulated depreciation is \$1,564,254.	234,606
Long-term liabilities, including capital leases payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(342,000)</u>
Net assets of governmental activities	<u>\$434,784</u>

See accompany Accountant's Report and Notes

## TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
**GOVERNMENTAL FUNDS**  
FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b><u>REVENUES:</u></b>					
Interest	\$316			\$265	\$581
Operating Grant Revenue	1,889				1,889
Fund Balance Appropriated	10,000				10,000
Amount to be Raised by Taxation to Support the District Budget	<u>489,308</u>	---	<u>\$118,817</u>	0	<u>608,125</u>
Total Revenues	\$501,513	---	\$118,817	\$265	\$620,595
<b><u>EXPENDITURES:</u></b>					
<b><u>Operating Appropriations:</u></b>					
Operating & Administration	\$19,398				\$19,398
Operations & Maintenance	459,740				459,740
Debt Service	0	---	<u>\$118,817</u>	---	<u>118,817</u>
Total Expenditures	<u>\$479,138</u>	---	<u>\$118,817</u>	0	<u>\$597,955</u>
Excess of Revenues Over Expend.	\$22,375	---	\$0	\$265	\$22,640
<b>Other Financing Sources (Uses):</b>					
Misc. Revenue Not Anticipated	\$442				\$442
Commit for Future Capital Outlay	---	---	---	---	0
Other Financing Sources (Uses)	<u>\$442</u>	---	\$0	0	<u>\$442</u>
Excess of Rev\Other Financing Sources Over Expenditures\Other Financing Uses	\$22,817	---	\$0	\$265	\$23,082
Fund Balances, January 1, 2012	206,097		131,551	163,400	501,048
Utilization of Fund Balance	(10,000)				(10,000)
Adjustment to Fund Balance	<u>19,805</u>	---	---	---	<u>19,805</u>
Fund Balances, December 31, 2012	<u>\$238,719</u>	---	<u>\$131,551</u>	<u>\$163,665</u>	<u>\$533,935</u>

See Accompanying Accountant's Report and Notes

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

Total Net Change in Fund Balances - Governmental Funds \$ 23,082

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Utilization of Unrestricted Funds (10,000)

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the adjustment for capital outlay and depreciation for the period.

Depreciation Expense (136,445)

Capital Outlay 35,488

Repayment of long-term debt 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. 114,000

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+). 3,124

Change in Net Assets of Governmental Activities \$ 29,249

See accompanying Accountant's Report and Notes

**NOTES TO THE FINANCIAL STATEMENTS**

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Reporting Entity** - Fire District No. 3 of the Township of East Brunswick is a political subdivision of the Township of East Brunswick, Middlesex County, New Jersey. It was formed in November, 1985 through the adoption of a Township ordinance. A board of five commissioners oversees all operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of every February.

Fire Districts are governed by N.J.S.A. 40A: 14-70 et al. and are organized as a taxing authority charged with the responsibility of providing the resources necessary to provide fire fighting services to the residents within its territorial location. Fire District No. 3 of the Township of East Brunswick has one fire company within its jurisdiction, the Brookview Volunteer Fire Company.

**Component Units** - GASB Statement No. 14, The Financial Reporting Entity, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units. As of December 31, 2012, it has been determined by the Fire District that no component units exist.

**Basis of Presentation** - The financial statements of the Township of East Brunswick Fire District No. 3 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Fire District's accounting policies are described in this Note.

The Fire District's basic financial statements consist of district-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

## **NOTE 1: SUMMARY OF SIGNIFICNT ACCOUNTING POLICIES (CONT'D)**

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

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

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

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

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Special Revenue Fund** - The Special Revenue Fund may only be established around one or more revenue sources that are restricted or committed to purposes other than capital projects or debt service.

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

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

### **Measurement Focus**

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

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

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

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

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

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

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

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

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

**Budgets / Budgetary Control** - The Fire District must adopt an annual budget in accordance with N.J.S.A. 40A:14-78.1 et al. The fire commissioners must introduce and approve the annual budget not later than sixty days prior to the

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **Budgets / Budgetary Control (Cont'd)**

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

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

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

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

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

Exhibit C-2 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the General Fund Budgetary Comparison Schedule and the Special Revenue Fund Budgetary comparison Schedule to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds. Note that the Fire District does not report encumbrances outstanding at year end as expenditures in the general fund since the general fund budget follows modified accrual basis of accounting.

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

New Jersey governments are limited as to the types of investments and types of financial institutions the may invest in. N.J.S.A. 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey governments.

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **Cash, Cash Equivalents and Investments (Cont'd)**

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

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include State or federally charted banks, savings banks or associations located in the State of New Jersey or state or federally charted banks, savings banks or associations located in another state with a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

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

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

Inventories recorded on the district-wide financial statements are recorded as expenditures when consumed rather than when purchased. As of December 31, 2012, no inventories exist.

Prepaid expenses recorded in the governmental fund types, which benefit future periods, are recorded as an expenditure during the year of purchase. Prepaid expenses recorded on the district-wide financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2012.

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

**Capital Assets** - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide Statement of Net Assets but are not reported in the fund financial statements.

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **Capital Assets (Cont'd)**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Fire District maintains a capitalization threshold of \$5,000.00. The Fire District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

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

N.J.S.A. 40A:14-84 governs the procedures for the acquisition of property and equipment for Fire Districts, and N.J.S.A. 40A:14-85 to 87 governs procedures for the issuance of any debt related to such purchases. In summary, Fire Districts may purchase fire fighting apparatus and equipment and land and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or 2 percent of the assessed valuation of property, whichever is larger.

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

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

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

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

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

**Fund Balance Reserves** - The Fire District commits portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation for expenditures. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods. Committed fund balances are established for encumbrances, legally restricted appropriations, excess surplus and capital reserve account.

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

## **NOTE 2: CASH AND CASH EQUIVALENTS**

All bank deposits as of December 31, 2012 are classified as to credit risk by the following three categories described below:

### **Category 1**

Insured or collateralized with securities held by the Fire District or by its agent in the Fire District's name.

### **Category 2**

Collateralized with securities held by the pledging public depository's trust department or agent in the Fire District's name.

### **Category 3**

Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent but not in the Fire District's name.

As of December 31, 2012, the Fire District's deposits are summarized as follows:

<b><u>Category</u></b>	<b><u>Amount</u></b>
1	\$ 490,107
2	-0-
3	<u>-0-</u>
	<u><b>\$ 490,107</b></u>

## **NOTE 3: PROPERTY TAX LEVIES**

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

<b><u>Year</u></b>	<b><u>Assessed Valuations</u></b>	<b><u>Total Tax Levy</u></b>	<b><u>Property Tax Rates</u></b>
2012	\$ 229,025,225	\$ 608,125	\$ .2655
2011	238,731,997	602,849	.2525
2010	245,966,779	582,885	.2370
2009	248,063,300	614,925	.2479
2008	250,119,100	562,047	.2247

#### NOTE 4: RECEIVABLES

Receivables as of year end for the Fire District's individual major funds, in aggregate, are as follows:

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total
<b>Receivables:</b>					
Due from Twp. of E. Brunswick		\$190,039			\$190,039
Total		<u>\$190,039</u>			<u>\$190,039</u>

#### NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance Jan. 1, 2012	Increases	Decreases	Balance Dec. 31, 2012
Vehicles/Apparatus	\$1,559,223	\$ -0-		\$ 1,559,223
Firefighting Equipment	<u>204,149</u>	<u>35,488</u>	<u>-0-</u>	<u>239,637</u>
Total Capital Assets being Depreciated	1,763,372	35,488	-0-	1,798,860
Less Accumulated Depreciation:				
Vehicles/Apparatus	1,296,222	105,201		1,401,423
Firefighting Equip.	<u>131,587</u>	<u>31,244</u>	<u>-0-</u>	<u>162,831</u>
Total Accumulated Depreciation	1,427,809	136,445	-0-	1,564,254
Total Capital Assets being Depreciated, net of Accumulated Depreciation	<u>335,563</u>	<u>(100,957)</u>	<u>-0-</u>	<u>234,606</u>
Capital Assets, net	<u>\$ 335,563</u>	<u>\$(100,957)</u>	<u>-0-</u>	<u>\$ 234,606</u>

\* Depreciation expense was charged to governmental functions as follows:

Cost of Operations and Maintenance	\$ 136,445
Cost of Capital Appropriations	<u>-0-</u>
Total Depreciation Expense	<u>\$ 136,445</u>

## **NOTE 6: LONG-TERM OBLIGATIONS**

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

	Principal Outstanding Jan. 1, 2012	Increases	Decreases	Principal Outstanding Dec. 31, 2012	Due Within One Year
Note Payable	\$ 456,000	\$ -0-	\$ 114,000	\$ 342,000	\$ 114,000

**Bonds Authorized But Not Issued** - As of December 31, 2012, the Fire District had no authorized but not issued bonds.

Note – The Fire District entered into Interlocal Service Agreement with the Township of East Brunswick in 2009 to purchase a 2009 Pierce Pumper. The terms of the note require the principal repayment of \$570,000 be paid in five annual installments, beginning April 2011. The following schedule details the required payments left:

<b><u>YEAR</u></b>	<b><u>PRINCIPAL</u></b>	<b><u>INTEREST</u></b>
2013	\$ 114,000	*
2014	\$ 114,000	*
2015	\$ 114,000	*

\*subject to sale of notes each year

## **NOTE 7: RISK MANAGEMENT**

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

**Property and Liability Insurance** - The Fire District maintains commercial insurance coverage for property, liability and surety bonds.

## **NOTE 8: INTERFUND RECEIVABLES AND PAYABLES**

As of December 31, 2012, no inter-fund receivables or payables existed.

## **NOTE 9: FUND BALANCES**

### **COMMITTED**

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific reservations of the fund balance are summarized below:

**For Future Capital Outlays** - These funds are committed for future capital expenditures to be made in future years. When the Fire District desires to utilize these funds in their annual budget, a capital resolution must be passed by the Board of Fire Commissioners prior to any expenditure against a capital appropriation. As of December 31, 2012 the balance is \$163,665.

### **UNASSIGNED**

Of the \$238,719 unassigned fund balance at December 31, 2012, none has been designated for the subsequent year's expenditures.

## **NOTE 10: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE**

For the year ended December 31, 2012, the Fire District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions", GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures" and GASB issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 34 creates new basic financial statements for reporting the Fire District's financial activities. The financial statements now include district- wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type.

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

Fund Balances January 1, 2012	\$ 501,048
Prepaid Expenses	5,119
Capital Assets, net of Accumulated Depreciation	335,563
Long-term Liabilities	(456,000)
Governmental Activities Net Assets, January 1, 2012	<u>\$ 385,730</u>

#### **NOTE 11: LENGTH OF SERVICE AWARD PROGRAMS**

The Fire District's Length of Service Awards Program ("LOSAP") was created by a Fire District Resolution adopted pursuant to Section 457 (e)(11)(13) of the Internal Revenue Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Township of East Brunswick Fire District No. 3 approved the adoption of the Plan and the first year of eligibility for entrance into the Plan by qualified volunteers was calendar year 2003. The Plan provides tax deferred income benefits to active volunteer firefighters.

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

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

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

**BUDGETARY COMPARISON SCHEDULES**

## TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3

**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>BUDGET</b>				
	<b>ORIGINAL</b>	<b>CHANGES/</b>	<b>FINAL</b>	<b>2012</b>	
	<b>BUDGET</b>	<b>TRFRS</b>	<b>BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b><u>REVENUES:</u></b>					
Miscellaneous Anticipated Revenues:					
Interest on Deposits	\$600	\$0	\$600	\$316	(\$284)
Fund Balance Appropriated	<u>10,000</u>	<u>0</u>	<u>10,000</u>	<u>10,000</u>	<u>0</u>
Total Miscellaneous Anticipated Revenues	\$10,600	\$0	\$10,600	\$10,316	(\$284)
Operating Grant Revenue					
Supplemental Fire Services Act	<u>1,889</u>	<u>0</u>	<u>1,889</u>	<u>1,889</u>	<u>0</u>
Total Revenues and Fund Balance Utilized	\$12,489	\$0	\$12,489	\$12,205	(\$284)
Amount to be Raised by Taxation to Support the District Budget	<u>489,308</u>	<u>0</u>	<u>489,308</u>	<u>489,308</u>	<u>0</u>
Total Anticipated Revenues	\$501,797	\$0	\$501,797	\$501,513	(\$284)

(Continued)

## TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>BUDGET</b>				
	<b>ORIGINAL BUDGET</b>	<b>CHANGES/ TRFRS</b>	<b>FINAL BUDGET</b>	<b>2012 ACTUAL</b>	<b>VARIANCE</b>
<b><u>EXPENDITURES:</u></b>					
Operating & Administration:					
Salaries & Wages:					
Commissioners	\$9,875	\$0	\$9,875	\$9,875	\$0
Other Expenses:					
Dues & Subscriptions	300	110	410	410	0
Election Expense	1,400		1,400	931	469
Fire Prevention Program	4,000		4,000	2,604	1,396
Office Expense/Services	<u>8,760</u>	<u>(463)</u>	<u>8,297</u>	<u>5,578</u>	<u>2,719</u>
Total Administration	<u>\$24,335</u>	<u>(\$353)</u>	<u>\$23,982</u>	<u>\$19,398</u>	<u>\$4,584</u>
Cost of Operations and Maintenance:					
Other Expenses:					
Actual Expense/Loss Reimbursement	\$0		\$0	\$0	\$0
Advertising	400	\$353	753	753	0
Equipment Acquisitions	97,500		97,500	93,204	4,296
Supplemental Fire Service Grant	1,889		1,889	1,889	0
Insurance	59,000		59,000	59,442	(442)
Outside Vendor: Vol. Fire Company	179,750		179,750	179,750	0
Physical Exams	3,000	226	3,226	3,226	0
Professional Services	10,123	3,094	13,217	13,084	133
Supplies/Fuel	13,000		13,000	12,989	11
Training/Education	10,000	(226)	9,774	7,596	2,178
Vehicle/Equip: Repair & Maintenance	46,800	10,284	57,084	50,766	6,318
Contingency	<u>21,000</u>	<u>(13,378)</u>	<u>7,622</u>	<u>2,041</u>	<u>5,581</u>
Total Cost of Operations and Maintenance	<u>\$442,462</u>	<u>\$353</u>	<u>\$442,815</u>	<u>\$424,740</u>	<u>\$18,075</u>
Length of Service Award Program	35,000		35,000	35,000	0
Total Operating Appropriations	<u>\$501,797</u>	<u>(\$0)</u>	<u>\$501,797</u>	<u>\$479,138</u>	<u>\$22,659</u>

(Continued)

## TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>BUDGET</b>				
	<b>ORIGINAL BUDGET</b>	<b>CHANGES/ TRFRS</b>	<b>FINAL BUDGET</b>	<b>2012 ACTUAL</b>	<b>VARIANCE</b>
Capital Appropriations:					
Future Capital Outlay	\$0		\$0	\$0	\$0
Total Capital Appropriations	\$0	\$0	\$0	\$0	\$0
Total Expenditures	<u>\$501,797</u>	(\$0)	<u>\$501,797</u>	<u>\$479,138</u>	<u>\$22,659</u>
Excess of Revenue Over Expenditures	\$0	(\$0)	\$0	\$22,375	\$22,375
Other Financing Sources (Uses):					
Miscellaneous Revenue Not Anticipated	0		0	<u>442</u>	<u>442</u>
Other Financing Sources (Uses)	0		0	442	442
Excess of Revenues\Other Financing Sources Over Expenditures\Other Financing Uses	<u>\$0</u>	<u>(\$0)</u>	<u>\$0</u>	<u>\$22,817</u>	<u>\$22,817</u>
Fund Balances, January 1, 2012				206,097	
Utilization of Fund Balance				(10,000)	
Adjustment to Fund Balance				<u>19,805</u>	
Fund Balances, December 31, 2012				<u>\$238,719</u>	

See accompanying Accountant's Report and Notes

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

## TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3

**Required Supplementary Information  
Budgetary Comparison Schedule  
Note to RSI  
For the Year Ended December 31, 2012**

---

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures.

	<u>General Fund</u>
<b>Sources/Inflows of Resources:</b>	
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 621,037
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized	-0-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2)	<u>\$ 621,037</u>
<b>Uses/Outflows of Resources:</b>	
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 597,995
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes	-0-
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2)	<u>\$ 597,995</u>

**OTHER SUPPLEMENTARY INFORMATION**

## **CAPITAL PROJECTS FUND**

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3**  
**CAPITAL PROJECTS FUND**  
**BALANCE SHEET**  
**DECEMBER 31, 2012**

**ASSETS:**

Cash	<u>\$163,665</u>
Total Assets	<u>\$163,665</u>

**LIABILITIES AND FUND BALANCES:**

**LIABILITIES:**

Total Liabilities	\$0
Commit for Future Capital Outlay	<u>\$163,665</u>
Total Fund Balance	<u>\$163,665</u>
Total Liabilities and Fund Balances	<u>\$163,665</u>

See accompanying Accountant's Report and Notes

## TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3

**BUDGETARY COMPARISON SCHEDULE**  
**CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>BUDGET</b>				
	<b>ORIGINAL</b>	<b>CHANGES/</b>	<b>FINAL</b>	<b>2012</b>	
	<b>BUDGET</b>	<b>TRFRS</b>	<b>BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>REVENUES:</b>					
Miscellaneous Anticipated Revenues:					
Interest on Deposits	\$0		\$0	\$265	\$265
Fund Balance Appropriated	<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>
Total Miscellaneous Anticipated Revenues	\$0	\$0	\$0	\$265	\$265
<b>EXPENDITURES:</b>					
Capital Appropriations:					
Fire Apparatus	0		0	0	0
Capital Outlay	<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Appropriations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenue Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>\$265</u>	<u>\$265</u>
Other Financing Sources (Uses):					
Proceeds from Inter-Local Agrmnt	\$0		\$0	\$0	\$0
Commit for Future Capital Outlay	<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues\Other Financing Sources Over Expenditures\Other Financing Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>\$265</u>	<u>\$265</u>
Fund Balances, January 1, 2012				163,400	
Adjustment to Fund Balance				0	
Fund Balances, December 31, 2012				<u>\$163,665</u>	

See accompanying Accountant's Report and Notes

## **LONG TERM DEBT**

## TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3

**GENERAL LONG-TERM DEBT ACCOUNT GROUP**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Balance</u>			<u>Balance</u>
	<u>Dec. 31, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Dec. 31, 2012</u>
Long-Term Debt				
Note Payable: I/L/S/A	<u>\$456,000</u>	<u>\$0</u>	<u>\$114,000</u>	<u>\$342,000</u>
	<u>\$456,000</u>	<u>\$0</u>	<u>\$114,000</u>	<u>\$342,000</u>

See accompanying Accountant's Report and Notes

## TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3

**BUDGETARY COMPARISON SCHEDULE**  
**DEBT SERVICE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>BUDGET</b>				
	<b>ORIGINAL</b>	<b>CHANGES/</b>	<b>FINAL</b>	<b>2012</b>	
	<b>BUDGET</b>	<b>TRFRS</b>	<b>BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>REVENUES:</b>					
Fire District Tax Levy	\$118,817		\$118,817	\$118,817	\$0
<b>EXPENDITURES:</b>					
Principal Payments:					
Note Payable: Inter-Local Agrmnt	114,000		114,000	114,000	0
Interest Payments:					
Note Payable: Inter-Local Agrmnt	<u>4,817</u>		<u>4,817</u>	<u>4,817</u>	<u>0</u>
Total Expenditures	<u><u>\$118,817</u></u>	<u><u>\$0</u></u>	<u><u>\$118,817</u></u>	<u><u>\$118,817</u></u>	<u><u>\$0</u></u>
Excess of Expend. Over Revenues	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
<b>Other Financing Sources (Uses):</b>					
Designated for Inter-Local Agrmnt					<u><u>\$0</u></u>
Other Financing Sources (Uses)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
Excess of Revenues\Other Financing Sources Over Expenditures\Other Financing Uses	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
Fund Balances, January 1, 2012				131,551	
Adjustment to Fund Balance				0	
Fund Balances, December 31, 2012				<u><u>\$131,551</u></u>	

See accompanying Accountant's Report and Notes

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**TOWNSHIP OF EAST BRUNSWICK  
FIRE DISTRICT NO. 3**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

Schedule of Financial Statement Findings

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

None.

**TOWNSHIP OF EAST BRUNSWICK  
FIRE DISTRICT NO. 3**

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

**Financial Statement Findings**

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

None.

## **APPRECIATION**

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

Respectfully submitted,



BONAMICI, COLLETTI, SOLITARIO & TIERNEY  
CERTIFIED PUBLIC ACCOUNTANTS

JUNE 19, 2013  
SPOTSWOOD, NJ