

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT #2

Audit Report

For the Years Ended December 31, 2011 and 2010

BART & BART
Certified Public Accountants

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BART & BART CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
East Brunswick Township Fire District #2
East Brunswick, NJ 08816

We examined the financial statements of the various funds of the East Brunswick Township Fire District #2 as of December 31, 2011 and 2010 and for the years then ended as listed in the foregoing table of contents. These financial statements are the responsibility of the Fire District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note #1, East Brunswick Township Fire District #2 prepares its financial statements on a modified accrual basis of accounting that demonstrates compliance with accounting principles and practices as described by the Division of Local Government Services Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of the various funds of the East Brunswick Township Fire District #2 at December 31, 2011 and 2010, the results of operations for the years then ended, on a basis of accounting described in Note #1.

Our audit was made for the purpose of forming an opinion of the general purpose financial statements taken as a whole. The information included in the supplementary schedules is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



BART & BART

July 10, 2012

Report on Internal Control over Financial Reporting and on
Compliance and other matters based on an audit of Financial
Statement performed in accordance with Government Auditing Standards

Honorable Chairman and Members of the Board
East Brunswick Fire District #2
East Brunswick, NJ 08816

We have audited the basic financial statements of the East Brunswick Township Fire District #2 as of and for the year ended December 31, 2011, and have issued our report thereon dated July 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In Planning and performing our audit, we considered the East Brunswick Township Fire District #2's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the East Brunswick Township Fire District #2'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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the East Brunswick Township Fire District #2's board members, management and New Jersey State Department of Community Affairs and is not intended to be and should not be used by anyone other than these specified parties.

BART & BART
Certified Public Accountants

Woodbridge, NJ
July 10, 2012

MANAGEMENT' S

DISCUSSION AND ANALYSIS

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011

As management of East Brunswick Township Fire District #2, we offer readers of the East Brunswick Township Fire District #2 financial statements this narrative overview and analysis of the financial activities of the East Brunswick Township Fire District #2 for the year ended December 31, 2011. The intent of this narrative is to look at the East Brunswick Township Fire District #2's overall financial performance in terms easily understood by the lay person.

Financial Highlights

- The assets of the District exceeded its liability at December 31, 2011, by approximately \$9.02 million combined.
- During 2010, on a budgetary basis, the East Brunswick Township Fire District #2 operated at a surplus of approximately \$127,853. The deficit in 2010 was approximately \$707,767.
- The District paid down its long-term debt in 2011 by \$150,000.

Using This Annual Report

This annual report consists of series of financial statements. East Brunswick Township Fire District #2's basic financial statements are comprised of three components: district-wide financial statements, statements of fiduciary funds and notes to the basic financial statements.

Reporting on the District as a Whole

District-wide financial statements are provided to give the reader a broad overview of the District's financial position and its financial activity for the year. It is presented in a format similar to the private sector to give the reader a familiar point of reference.

The Statement of Net Assets presents information on all the assets and liabilities of East Brunswick Township Fire District #2. The difference between the two is reported as the District's net assets. Significant increases or decreases in the District's net assets can be an indication of the financial health of the District.

The Statement of Activities presents financial information about activities that result in the District's net assets increasing or decreasing during the year. Financial activities are recorded when the transactions occur rather than when the cash is received or paid out. As a result, there could be activities that result in cash flow in a future period.

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011

Reporting on the District as a Whole (Continued)

The district-wide financial statements report on the financial data by function. East Brunswick Township Fire District #2 has two basic functions: activities that are supported by property taxes; and activities supported by other governmental activities. East Brunswick Township Fire District #2 provides firefighter services to the citizens of the township of East Brunswick.

As required by N.J.S.A. 40A:14:78-3, East Brunswick Township Fire District #2 adopts an annual budget which is voted on by the legal voters of the district of the third Saturday in February. Budgetary comparison schedules have been prepared to document compliance with budgetary requirements.

Notes of Financial Statements

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

District-Wide Financial Analysis

East Brunswick Township Fire District #2's net assets are a useful indicator of the District's financial condition. At the end of 2011, the District's assets exceeded the liabilities by approximately \$9.03 million. The largest portion of East Brunswick Township Fire District #2's net assets (90%) is its investment in capital assets. The District uses these assets to provide fire-fighting services to the community; consequently, these assets are not available for future spending. East Brunswick Township Fire District #2's investment in capital assets is reported net of related debt and accumulated depreciation. Since the capital assets are not available to liquidate the debt, other sources must be utilized for the repayment of the debt.

Statement of Net Assets

East Brunswick Township Fire District #2
 Net Assets
 December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Current and other assets	\$ 1,183,236	\$ 1,028,861	\$ 154,375
Capital Assets	5,366,873	5,500,628	(133,755)
General Fixed Assets	<u>7,609,618</u>	<u>8,102,836</u>	<u>(493,218)</u>
Total assets	\$14,159,727	\$14,632,325	(472,598)
Other liabilities	(5,136,313)	(5,286,313)	150,000
Net assets	<u>\$ 9,023,414</u>	<u>\$ 9,346,012</u>	<u>\$ (322,598)</u>

Analysis of Net Assets

Invested in capital assets			
Net of related debt	\$7,895,691	\$8,432,955	\$ (537,264)
Restricted for capital projects	230,381	214,385	15,996
Unrestricted	897,342	698,672	198,670
Total net assets	<u>\$9,023,414</u>	<u>\$9,346,012</u>	<u>\$ (332,598)</u>

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011

The net assets of East Brunswick Township Fire District #2 decreased approximately \$332,598 during the 2011 period.

Governmental Activities

The Statement of Activities shows the costs of the governmental activities program services and the changes for services and grants offsetting these costs. A summary of these activities is as follows:

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Expenses			
Program expenses			
Administrative expenses	\$ 161,157	\$ 136,477	\$ 24,680
Cost of operations & maintenance	640,066	1,242,843	(602,777)
Capital appropriations	<u>179,325</u>	<u>257,898</u>	<u>(78,573)</u>
Total program expenses	\$ 980,548	\$1,637,218	\$ (656,670)
General Revenues			
Property taxes levied for			
General purposes	\$1,035,000	\$1,039,041	\$ (4,041)
Interest earned on investments	2,148	4,659	(2,511)
Miscellaneous Income	<u>250,957</u>	<u>244,405</u>	<u>6,552</u>
Total general revenues	<u>\$1,288,105</u>	<u>\$1,288,105</u>	<u>\$ -</u>

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011

Property tax revenue constituted 80% of the total governmental activities revenues received by East Brunswick Township Fire District #2 in 2011. In 2010 the property tax revenue constituted 80% of total revenues as well.

Financial Analysis of the Government Funds

East Brunswick Township Fire District #2 uses fund accounting to document compliance with finance-related legal requirements.

Governmental Funds

The primary objective of the District's governmental funds is to report on cash flows in and out during the period and the ending balances of the spendable resources. This information is useful to evaluate the performance of the District and to assess its future needs and available resources.

As of December 31, 2011, the combined balance of the governmental cash funds of the East Brunswick Township Fire District #2 was approximately \$1,087,436. This balance is \$190,035, higher than last year's combined governmental funds balance.

Long-Term Obligations

East Brunswick Township Fire District #2 issued \$5.5 million in Interlocal Agreements to the Township of East Brunswick to finance the construction of a new firehouse. The agreements are payable through 2021. In 2011, the Board paid off \$150,000 in principle and paid out \$29,325 in bond interest, per the agreements.

Economic Factors and Next Years Budget

In 2011, East Brunswick Township Fire District #2 was able to cover all its appropriations through the fire tax levy and other revenues.

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT #2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010

Requests for Information

This financial report is designed to provide a general overview of the East Brunswick Township Fire District #2's finances for all of those with an interest in the district's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Alan Weissman, Treasurer, East Brunswick Township Fire District #2.

Board of Fire Commissioners

East Brunswick Township Fire District #2General FundComparative Balance Sheet

<u>ASSETS</u>	December 31,	
	<u>2011</u>	<u>2010</u>
Cash	\$ 857,052	\$ 683,016
Other Receivables	2,747	21,145
Tax Levy Receivable	<u>323,437</u>	<u>324,700</u>
Total Assets	<u>\$ 1,183,236</u>	<u>\$ 1,028,861</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Liabilities and Reserves:		
Accounts Payable	<u>\$ 61,548</u>	<u>\$ 120,682</u>
Total Liabilities	<u>\$ 61,548</u>	<u>\$ 120,682</u>
Fund Balance:		
Reserve for Encumbrances	\$ 63,125	\$ 48,086
Reserved for Uniform Fire Safety Act	215,648	161,221
Unreserved:		
Designated for Subsequent Year's Expenditures	<u>842,915</u>	<u>698,872</u>
Total Fund Balance	<u>\$ 1,121,688</u>	<u>\$ 908,179</u>
Total Liabilities and Fund Balance	<u>\$ 1,183,236</u>	<u>\$ 1,028,861</u>

See accompanying accountant's reports and notes to financial statements.

East Brunswick Township Fire District #2General FundStatement of Revenues, Expenditures and Changes in Fund BalanceFor the Year Ended December 31, 2011With Comparative Actual Amounts for Period Ended December 31, 2010

	2011		Variance Favorable (Unfavorable)	2010
	Budget	Actual		Actual
Revenues and Other Financing Sources:				
Miscellaneous Revenues:				
Uniform Fire Safety Act				
- Annual Registration Fees	\$ 255,450	\$ 254,152	\$ (1,298)	\$ 240,907
- Other Fees, Penalties, Fines, etc.	63,042	18,737	(44,305)	868
- Interest	-	1,478	1,478	2,285
Supplemental Fire Services Act	8,934	17,868	8,934	-
Volunteer Fire Company	-	-	-	-
Equipment Sale	-	-	-	-
Earnings on Investments and Deposits	3,300	670	(2,630)	2,374
Miscellaneous	-	-	-	2,630
Total Miscellaneous Revenues	330,726	292,905	(37,821)	249,064
Fund Balance Utilized	290,930	-	(290,930)	-
District Taxes	1,035,000	1,035,000	-	1,039,041
Total Revenues and Other Financing Sources	\$ 1,656,656	\$ 1,327,905	\$ (328,751)	1,288,105
Expenditures:				
Current Operating Appropriations	\$ 929,189	\$ 801,223	\$ 127,966	\$ 1,379,290
Appropriations Offset with Revenue:				
Uniform Fire Safety Act	318,492	219,504	98,988	358,584
Capital Appropriations	408,975	179,325	229,650	257,898
Total Expenditures	1,656,656	1,200,052	456,604	1,995,772
Excess of Revenue over Expenditures	-	127,853	127,853	(707,667)
Less: Fund Balance Utilized	(290,930)	-	290,930	-
Fund Balance, Beginning of Year	908,179	908,179	-	906,739
Net Transfer from other Restricted Fund	-	85,656	85,656	709,107
Fund Balance, End of Year	\$ 617,249	\$ 1,121,688	\$ 504,439	\$ 908,179

See accompanying accountant's reports and notes to financial statements.

East Brunswick Township Fire District #2
General Fund
Statement of Expenditures Compared to Budget
For the Year Ended December 31, 2011
With Comparative Actual Amounts for Period Ended December 31, 2010

	2011		Variance Favorable (Unfavorable)	2010
	Budget	Actual		Actual
ADMINISTRATION:				
Salaries and Wages	\$ 57,805	\$ 90,645	\$ (32,840)	\$ 87,555
Fringe Benefits	80,100	31,370	48,730	22,288
Election	1,500	2,373	(873)	-
Office Expenses	35,000	9,856	25,144	10,547
Professional Services	29,500	17,754	11,746	12,712
Advertising	2,000	9,159	(7,159)	3,345
Total Administration	<u>\$ 205,905</u>	<u>\$ 161,157</u>	<u>\$ 44,748</u>	<u>\$ 136,447</u>
COST OF OPERATIONS:				
Fringe Benefits	\$ 25,000	-	25,000	\$ -
Insurance	86,000	74,005	11,995	88,117
Maintenance and Repairs	107,650	101,771	5,879	129,617
Fire Prevention Program	10,000	5,000	5,000	11,159
Training and Education	18,500	8,931	9,569	16,464
Volunteer Fire Company	175,700	175,700	-	178,000
Utilities	51,500	51,608	(108)	11,220
Fuel	15,000	26,470	(11,470)	20,683
Membership	3,000	2,816	184	2,719
Supplemental Fire Services Act	8,934	3,617	5,317	7,281
Length of Service Awards Program	42,000	39,233	2,767	42,861
Contingent	10,000	-	10,000	-
Wages	125,000	-	125,000	-
Other assets-non bondable	45,000	150,915	(105,915)	734,722
Total Cost of Operations	<u>723,284</u>	<u>640,066</u>	<u>83,218</u>	<u>1,242,843</u>
Total Current Operating Exps.	<u>929,189</u>	<u>801,223</u>	<u>127,966</u>	<u>1,379,290</u>
CAPITAL APPROPRIATIONS:				
Reserve for Future Capital Outlays	90,000	-	90,000	-
Debt Service:				
Bond Principal	225,000	150,000	75,000	203,176
Bond Interest	93,975	29,325	64,650	54,722
Total Capital Appropriations	<u>408,975</u>	<u>179,325</u>	<u>229,650</u>	<u>257,898</u>
Total Appropriations	<u>\$ 1,338,164</u>	<u>\$ 980,548</u>	<u>\$ 357,616</u>	<u>\$ 1,637,188</u>

See accompanying accountant's reports and notes to financial statements.

East Brunswick Township Fire District #2Comparative Balance SheetCapital Projects FundsDecember 31, 2011 and 2010

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Cash and Cash Equivalents	\$ 230,381	\$ 214,385
Amount to be provided for Payment of Debt	<u>5,136,492</u>	<u>5,286,313</u>
Total Assets	<u>\$5,366,873</u>	<u>\$5,500,698</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:	\$ -	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>
 Fund Balances:		
Designated for Subsequent Year's Expenditures	\$5,136,492	\$5,286,313
Undesignated - Reserve for Future Capital Outlay	<u>230,381</u>	<u>214,385</u>
Total Fund Balances	<u>\$5,366,873</u>	<u>\$5,500,698</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$5,366,873</u>	 <u>\$5,500,628</u>

See accompanying accountant's reports and notes to financial statements.

East Brunswick Township Fire District #2
Schedule of Revenues and Expenditures
Capital Projects Fund

	2011
REVENUES	
Interest	\$ 333
Total Revenues	\$ 333
EXPENDITURES	
Payment on Interlocal Agreements	150,000
Total Expenditures	\$ 150,000
Excess (Deficiency) of Revenues Over Expenditures	(149,667)
Fund Balance, Beginning of Year	5,516,540
Fund Balance, End of Year	\$5,336,873

See accompanying accountant's reports and notes to financial statements.

East Brunswick Township Fire District #2General Fixed Assets Account GroupComparative Balance SheetDecember 31, 2011 and 2010

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Land	\$ 545,000	\$ 545,000
Building	6,333,274	6,333,274
Equipment	70,266	70,266
Vehicles	2,883,158	2,883,158
Construction in Progress	-	-
Total Assets	9,831,698	9,831,698
Less Accumulated Depreciation:		
Building	316,663	158,331
Equipment	70,266	70,266
Vehicles	1,835,151	1,500,265
Total Accumulated Depreciation	2,222,080	1,728,862
Total Net Assets	<u>\$7,609,618</u>	<u>\$8,102,836</u>
<u>FUND BALANCE</u>		
Investment in General Fixed Assets	<u>\$7,609,618</u>	<u>\$8,102,836</u>

See accompanying accountant's reports and notes to financial statements.

EXHIBIT 7

East Brunswick Township Fire District #2
General Fixed Assets Account Group
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2011

	<u>2011</u>
<u>Revenues and Other Financing Sources:</u>	
Fixed Assets	\$ -
Total Revenues and Other Financing Sources	<u>\$ -</u>
<u>Expenditures:</u>	
Depreciation	<u>\$ 493,248</u>
Total Expenditures	<u>493,248</u>
Excess of Revenue Over Expenditures	(493,248)
Fund Balance, Beginning of Year	<u>8,102,866</u>
Fund Balance, End of Year	<u>\$7,609,618</u>

See accompanying accountant's reports and notes to financial statements.

East Brunswick Township Fire District #2

Notes to Financial Statements

For the Years Ended December 31, 2011 and 2010

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the East Brunswick Township Fire District #2 (the "District") conform to the accounting principles applicable to special districts which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect public funds.

Separate financial statements are provided for the following separate funds:

General Fund - Resources and expenditures for governmental operations of a general nature, including federal and state grant funds, except as otherwise noted.

Capital Fund - Resources and expenditures for the acquisition of general capital facilities, other than those acquired through the general fund, including the status of bonds and notes authorized for said purposes.

General Fixed Assets Account Group - Shows the District's investment in buildings and equipment, net of accumulated depreciation.

The following is a summary of the significant policies:

Basis of Accounting - The modified accrual basis of accounting is followed. Revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the fiscal period. Expenditures are recognized in the period in which the fund liability is incurred, if measurable, except that unmatured interest and principal on general obligation debt are accounted for as expenditures in the year becoming due and payable.

Inventories of Supplies - Purchases of materials and supplies are recognized and recorded as expenditures when they are acquired, regardless of when used.

East Brunswick Township Fire District #2

Notes to Financial Statements

For the Years Ended December 31, 2011 and 2010

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BUDGETS/BUDGETARY CONTROL:

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

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

ENCUMBRANCES:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds, other than the special revenue fund, are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

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

East Brunswick Township Fire District #2

Notes to Financial Statements

For the Year Ended December 31, 2011 and 2010

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets - Property, plant and equipment purchased by the current fund and the general capital fund are recorded as expenditures at the time of purchase. The historical cost, or if such cost is not practically determinable, the estimated historical cost of such fixed assets is reflected in the General Fixed Assets group of accounts.

The District adopted Governmental Accounting Standards Board Statement No. 34. This standard recommends, among other things, the District to recognize depreciation on all assets contained in the general fund asset account group. The historical cost of the fund assets are shown net of all accumulated depreciation as investments in general fixed assets.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	40
Fire Trucks	25
Other Vehicles	15
Equipment	10

Depreciation expense for the years ending December 31, 2011 and 2010 was \$493,217 and \$158,331 respectively.

Capital Fund - The accounting for expenditures for property, plant and equipment financed by debt authorized or from restricted grant funds is contained in the general capital fund, as is the related debt issued and outstanding. The acquisition and construction cost of such assets, when completed, is reflected in the General Fixed Assets group of accounts.

East Brunswick Township Fire District #2

Notes to Financial Statements

For the Year Ended December 31, 2011 and 2010

Note 2. GENERAL LONG-TERM DEBT

The District has entered into Interlocal Agreements with the Township of East Brunswick to provide financing for fire station renovations, the acquisition of an aerial truck and property acquisition and building expansion. The District makes annual payments to the Township.

Long-term liability activity for the year ended December 31, 2010 is as follows:

	<u>Balance</u> <u>Jan. 1, 2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Dec. 31, 2011</u>
Interlocal Agreements Payable	\$5,286,313	\$ -	\$150,000	\$5,136,313

B. Outstanding Debt

At December 31, 2010, interlocal agreements payable consisted of the following issues:

2009 Interlocal Agreement with Township of East Brunswick, variable rates of interest	\$2,500,000
2005 Interlocal Agreement with Township of East Brunswick, Variable Rates of Interest	<u>2,636,313</u>
	<u>\$5,136,313</u>

The interlocal agreements are short-term notes which are rolled over by the Township of East Brunswick at variable interest rates. Once the notes are permanently financed by the Township, the District will have a permanent amortization schedule. As of December 31, 2011, the District had the option to pay \$150,000, minimum principal on the 2005 agreement and in 2012, will have the option to pay \$65,000 minimum principal on the 2009 agreement.

For budgetary purposes the district estimates the following amortization of the 2010 and 2011 agreements if it were to be permanently financed in 2011.

<u>Year</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total Disbursement</u>
2011	225,000	3.50%	93,975	318,975
2012	230,000	3.75%	92,250	322,250
2013	230,000	3.75%	83,625	313,625
2014	230,000	4.00%	80,000	310,000
2015	240,000	4.00%	70,800	310,800
2016	238,800	4.00%	61,200	300,000
2017	248,352	4.00%	51,648	300,000
2018	252,243	4.10%	42,757	295,000
2019	267,190	4.15%	32,810	300,000
2020	278,278	4.15%	21,722	300,000
2021	245,137	4.20%	10,296	255,433

East Brunswick Township Fire District #2

Notes to Financial Statements

For the Year Ended December 31, 2011 and 2010

Note 3. PENSION

Employees participate in the Public Employees' Retirement System of New Jersey (PERS), a contributory defined benefit public employee retirement system that was established by State statute. The System is sponsored and administered by the Division of Pensions and Benefits. The System is considered a cost-sharing, multiple-employer plan. Covered employees are required by statute to contribute a certain percentage of their salary to the Plan. The Division of Pensions bills the District annually for its required contribution.

Note 4. LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)

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

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

East Brunswick Township Fire District #2
Statement of Revenues, Expenditures and Changes in Fund Balance
Uniform Fire Safety Act
For the Year Ended December 31, 2011

REVENUES:

Annual Registration Fees	\$ 254,152
Other Revenues	18,737
Interest	<u>1,478</u>
Total Revenues	<u>\$ 274,367</u>

EXPENDITURES:

Salary and Wages	154,416
Fringe Benefits	17,725
Other Expenses	<u>47,799</u>
Total Expenditures	<u>\$ 219,940</u>

Excess Revenues Over Expenditures	\$ 54,427
Fund Balance, Beginning of Year	<u>161,221</u>
Fund Balance, End of Year	<u>\$ 215,648</u>

East Brunswick Township Fire District #2

Roster of Officials

December 31, 2011

Board of Fire Commissioners

Wayne T. Lyons, Sr. - Chairman

Paul A. Colon - vice Chairman

Alan Weissman - Treasurer

Dennis A. DeGraw, Clerk

Arthur J. LeBuis, Sr. - Assistant Clerk/Treasurer

Other Officials

Richard M. Braslow, Board Attorney