

**FIRE DISTRICT NO. 1  
TOWNSHIP OF MONROE, NEW JERSEY  
REPORT OF AUDIT  
DECEMBER 31, 2009**

**FIRE DISTRICT NO. 1  
TOWNSHIP OF MONROE, NEW JERSEY  
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**FIRE DISTRICT #1**  
**TOWNSHIP OF MONROE, NEW JERSEY**  
**2010 OFFICIALS IN OFFICE AND SURETY BONDS**

<u>NAME</u>	<u>POSITION</u>
CHARLES DIPIERRO	CHAIRMAN
RAYMOND PERRY	VICE CHAIRMAN
MICHAEL J. COSTELLO	TREASURER
ROBERT LEBRUN	CLERK
SCOTT KIVET	ASSISTANT CLERK/ TREASURER
<b>OTHER OFFICIALS</b>	
ERNEST ZIH	FIRE OFFICIAL
PATRICK REARDON	FIRE INSPECTOR

**A SURETY BOND FOR THE LIMITED AMOUNT OF \$1,000,000  
COVERS ALL THE COMMISSIONERS**

## FINANCIAL SECTION

# BONAMICI, COLLETTI, P.C.,

CERTIFIED PUBLIC ACCOUNTANTS

296 SUMMERHILL RD. • P.O. BOX 7 • SPOTSWOOD, NEW JERSEY 08884 • (732) 251-0400 FAX (732) 723-1738  
e-mail: boncolcpas@aol.com

## **PRINCIPALS**

Kirk A. Bonamici, CPA, MST  
Thomas S. Colletti, CPA, PSA

## **MEMBERSHIPS**

American Institute of Certified Public Accountants  
New Jersey Society of Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT**

Board of Fire Commissioners  
Fire District #1  
Township of Monroe  
Monroe Township, N.J. 08831

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Township of Monroe Fire District #1, in the County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2009, 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 Monroe Fire District #1'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 11, 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, 2009.

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 Monroe Fire District #1, in the County of Middlesex, State of New Jersey as of December 31, 2009, 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 August 25, 2010 on our consideration of the Township of Monroe Fire District #1'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 Monroe Fire District #1'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, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

SPOTSWOOD, NEW JERSEY  
AUGUST 25, 2010

# BONAMICI, COLLETTI, P.C.,

CERTIFIED PUBLIC ACCOUNTANTS

296 SUMMERHILL RD. • P.O. BOX 7 • SPOTSWOOD, NEW JERSEY 08884 • (732) 251-0400 FAX (732) 723-1738  
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## **PRINCIPALS**

Kirk A. Bonamici, CPA, MST  
Thomas S. Colletti, CPA, PSA

## **MEMBERSHIPS**

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New Jersey Society of Certified Public Accountants

### **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 Monroe  
Fire District No. 1  
Monroe Township, N.J. 08831

We have audited the financial statements of the governmental activities and each major fund of the Township of Monroe Fire District #1, in the County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2009 and have issued our report thereon dated August 25, 2010, 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, 2009. 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 Monroe Fire District #1'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 misstatement 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 Monroe Fire District #1'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, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

SPOTSWOOD, N.J.  
AUGUST 25, 2010

**REQUIRED SUPPLEMENTARY INFORMATION  
PART 1**

**TOWNSHIP OF MONROE FIRE DISTRICT NO. 1  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(UNAUDITED)**

As management of the Monroe Township Fire District No. 1, we offer readers of the Monroe Township Fire District No. 1 financial statements this narrative overview and analysis of the financial activities of the Monroe Township Fire District No. 1 for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the Township of Monroe Fire District No. 1 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 Monroe Township Fire District No. 1's financial performance.

**Financial Highlights**

- The assets of Monroe Township Fire District No. 1 exceeded its liabilities at the close of the most recent year by \$1,453,687 (net Assets).
- As of the close of the current year, the Monroe Township Fire District No. 1's governmental funds reported combined ending fund balances of \$1,405,781, an increase of \$334,821 in comparison with the prior year.
- At the end of the current year, the reserved fund balance for all funds was \$184,000, approximately a 37 percent increase from the prior year.
- At the end of the current year, the unreserved fund balance for the general fund was \$1,149,635, approximately a 33 percent increase from the prior year.
- The total debt of Monroe Township Fire District No. 1 decreased by \$94,945 as a result of a payment to capital lease obligation and an increase in compensated absences payable.

**Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Monroe Township Fire District No. 1's basic financial statements. The Monroe Township Fire District No. 1'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 Monroe Township Fire District No. 1's finances, in a manner similar to a private sector business.

The Statement of Net Assets presents information on all of the Monroe Township Fire District No. 1'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 Monroe Township Fire District No. 1 is improving or deteriorating.

The Statement of Activities presents information showing how the Monroe Township Fire District No. 1'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 (e.g., earned but unused sick leave).

Both of the district-wide financial statements distinguish functions of the Monroe Township Fire District No. 1 that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Monroe Township Fire District No. 1 include fire-fighting services that are provided to the citizens of the Monroe Township Fire District No. 1.

**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 Monroe Township Fire District No. 1 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 Monroe Township Fire District No. 1 constitute one fund type, governmental funds.

**Governmental Funds.** All of the Monroe Township Fire District No. 1'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 Monroe Township Fire District No. 1'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 Monroe Township Fire District No. 1 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, Monroe Township Fire District No. 1 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 Monroe Township Fire District No. 1 assets exceeded liabilities by \$1,453,687 at the close of the most recent year.

**The largest portion** of the Monroe Township Fire District No. 1's net assets (23 percent) reflects its investment in capital assets (i.e. vehicles and equipment). The Monroe Township Fire District No. 1 uses these assets to provide fire-fighting services to the citizens of the Monroe Township Fire District No. 1; consequently these assets are not available for future spending. Although the Monroe Township Fire District No. 1'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 sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Statement of Net Assets**

MONROE TOWNSHIP FIRE DISTRICT NO. 1  
NET ASSETS  
DECEMBER 31, 2009

CURRENT AND OTHER ASSETS	\$	1,481,251
CAPITAL ASSETS		<u>343,530</u>
TOTAL ASSETS	\$	1,824,781
LONG-TERM LIABILITIES OUTSTANDING	\$	206,799
OTHER LIABILITIES		<u>164,295</u>
TOTAL LIABILITIES	\$	<u>371,094</u>
NET ASSETS	\$	<u>1,453,687</u>

## ANALYSIS OF NET ASSETS

INVESTED IN CAPITAL ASSETS NET OF RELATED DEBT	\$	54,773
RESTRICTED FOR FUTURE EXPENDITURES		184,000
UNRESTRICTED		<u>1,214,914</u>
TOTAL NET ASSETS	\$	<u>1,453,687</u>

An additional portion of the Monroe Township Fire District No. 1's net assets (13 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 decrease in governmental activities are as follows:

### Program Expenses

#### Operating Expenses:

Administration	\$	120,843
Cost of Operations and Maintenance		1,136,925
Operating Appropriations Offset with Revenues		23,561
LOSAP Contribution		42,448
Interest on Long-Term Debt		<u>14,133</u>

Total Program Expenses	\$	1,337,910
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### Program Revenues

Charges for Services	\$	15,809
Operating Grants & Contributions		<u>2,608</u>

Total Program Revenues	\$	<u>18,417</u>
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Net Program Expenses	\$	1,319,493
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### General Revenues

#### Taxes:

Property Taxes, Levied for General Purposes	\$	1,397,614
Taxes Levied for Debt Service		96,252
Unrestricted Investment Earnings		28,980
Miscellaneous Income		<u>322</u>

Total General Revenues	\$	<u>1,523,168</u>
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Increase in Net Assets	\$	203,675
Net Assets, January 1	\$	1,241,065
Prior Period Adjustments		<u>8,947</u>
Net Assets, December 31	\$	1,453,687

Property taxes constituted 98% of revenues for government activities for the Fire District for the year 2009.

Cost of Operations and Maintenance comprises 85% of fire district expenses.

**Financial Analysis of the Government Funds.** As stated earlier, the Monroe Township Fire District No. 1 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Fund.** The focus of the Monroe Township Fire District No. 1's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Monroe Township Fire District No. 1's financing requirements. In particular, unreserved 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 Monroe Township Fire District No. 1's governmental funds reported combined ending fund balances of \$1,405,781. An increase of \$334,821 in comparison with the prior year.

Of the combined ending fund balances of \$1,405,781, unreserved fund balance constituted \$1,221,781. Of the unreserved fund balance, \$175,000 has been utilized in the 2010 budget. The remainder of fund balance, in the amount of \$184,000, is reserved to indicate that it is not available for new spending because it is committed to planned future outlays that are subject to the approval of the voters of the Monroe Township Fire District No. 1. At a special meeting held November 18, 2009 the voters approved the purchase of a Brush Truck, at a total cost not to exceed \$140,000, to be included in the next budget. This purchase will be included in capital appropriations on the 2010 budget as a \$140,000 expenditure of funds coming out of capital reserves. It has been designated that \$40,000 will come from unreserved funds and the balance of \$100,000 will come from reserved funds.

The general fund is the main operating fund of the Monroe Township Fire District No. 1. At the end of the current year, the unreserved fund balance of the general fund was \$1,149,635. The general fund balance increased by \$284,821 during the year.

The reserved funds of the Monroe Township Fire District No. 1 contain various specified funds. At the end of the current year the reserved funds total was \$184,000. The reserved funds increased by \$50,000 during the year due to the addition of the Capital Appropriation of Funds Reserve for Future Capital Outlays.

**General Fund Budgetary Highlights**

During the course of the 2009-year the Monroe Township Fire District No. 1 modified its general fund budget in conformance with statute.

The final budgetary basis revenue estimate was \$1,534,414. The original budgetary estimate was the same.

During the year 2009, the Monroe Township Fire District No. 1 budgeted \$1,493,866 for property taxes (local tax levy) and \$2,608 for state aid revenues (supplemental fire services grant). Fire Safety Act Revenue was budgeted for \$15,440.

The final budgetary basis expenditures appropriation estimate was \$1,534,414. The original budgetary estimate was the same.

**Capital Assets and Debt Administration**

The Monroe Township Fire District No. 1's investment in capital assets for its governmental activities as of December 31, 2009 amounts to \$343,530 (net of accumulated depreciation). This investment in capital assets includes land, vehicles and firefighting equipment. Monroe Township Fire District No. 1 acquired firefighting equipment of \$5,502 during 2009.

At the end of 2009 the Monroe Township Fire District No. 1 had \$2,018,344 invested in land, vehicles and firefighting equipment. The accumulated depreciation on these items was \$1,674,814.

MONROE TOWNSHIP FIRE DISTRICT NO. 1  
CAPITAL ASSETS  
(NET OF ACCUMULATED DEPRECIATION)  
DECEMBER 31, 2009

LAND	\$	5,116
VEHICLES		266,621
FIREFIGHTING EQUIPMENT		<u>71,793</u>
TOTAL CAPITAL ASSETS	\$	<u>343,530</u>

Additional information on the Monroe Township Fire District No. 1's capital assets can be found in Note 4 in the notes to financial statements.



### **Long-Term Obligations**

As of December 31, 2009 the Monroe Township Fire District No. 1 had incurred capital lease obligation in the amount of \$288,757 of which \$96,252 is due within the next twelve months.

The Monroe Township Fire District No. 1 was obligated for compensated absences pertaining to unused sick time in the amount of \$14,294. At December 31, 2009, none of this balance was due within the next twelve months.

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

For the 2009 year the Monroe Township Fire District No. 1 was able to sustain its budget through the district tax levy and other sources of revenue. Approximately 98 percent of total revenue is from the local tax levy, while the remainder is from other sources.

The Board of Fire Commissioners adopted the 2010 budget January 20, 2010 and the voters subsequently approved the budget at the annual fire district election held on February 20, 2010.

### **Requests for Information**

This financial report is designed to provide a general overview of the Monroe Township Fire District No. 1'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:

Robert LeBrun, Clerk  
Monroe Township Fire District No. 1  
24 Harrison Avenue  
Monroe Township, NJ 08831

## **BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS**

## TOWNSHIP OF MONROE FIRE DISTRICT NO. 1

### STATEMENT OF NET ASSETS

DECEMBER 31, 2009

#### ASSETS:

Cash and Cash Equivalents	\$1,468,638
Accounts Receivable	5,000
Escrow: Monroe Township	186
Prepaid Expenses	7,427
Capital Assets, net (Note 4)	<u>343,530</u>
 Total Assets	 1,824,781

#### LIABILITIES:

Accounts Payable	66,723
Payroll Taxes & Pension Payable	1,320
Noncurrent Liabilities (Note 5)	
Due within One Year	96,252
Due beyond One Year	<u>206,799</u>
 Total Liabilities	 371,094

#### NET ASSETS:

Invested in Capital assets, Net of Related debt.	54,773
Restricted for:	
Fireman's Benefit Program	60,000
General	20,000
Firehouse	4,000
Reserved for Future Capital Outlay	100,000
Unrestricted:	
General	1,142,768
Capital	<u>72,146</u>
 Total Net Assets	 <u>\$1,453,687</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

## TOWNSHIP OF MONROE FIRE DISTRICT NO. 1

### STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2009

Expenses:	
Operating Appropriations:	
Administration	\$120,843
Cost of Operations and Maintenance	1,136,925
Operating Appropriations Offset with Revenues	23,561
Length of Service Award Program (LOSAP)-	
Contribution (P.L. 1997, c. 388)	42,448
Interest on Long-Term Debt	<u>14,133</u>
Total Program Expenses	\$1,337,910
Program Revenues:	
Charges for Services	15,809
Operating Grants and Contributions	<u>2,608</u>
Net Program Expenses	\$1,319,493
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	\$1,397,614
Taxes Levied for Debt Service	96,252
Unrestricted Investment Earnings	28,980
Miscellaneous Income	<u>322</u>
Total General Revenues	<u>\$1,523,168</u>
Increase in Net Assets	\$203,675
Net Assets, January 1 (Note 11)	1,241,065
Prior Period Adjustments	<u>8,947</u>
Net Assets, December 31	<u>\$1,453,687</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

## **FUND FINANCIAL STATEMENTS**

## MONROE TOWNSHIP FIRE DISTRICT NO. 1

### BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2009

<u>ASSETS</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Cash	\$1,368,638		\$100,000		\$1,468,638
Due from Vendor	5,000				5,000
Escrow: Monroe Twp	<u>186</u>				<u>186</u>
 Total Assets	 <u>\$1,373,824</u>	 ---	 <u>\$100,000</u>	 ---	 <u>\$1,473,824</u>
 <b>LIABILITIES AND FUND BALANCES:</b>					
 <u>LIABILITIES:</u>					
Accounts Payable	\$66,723				\$66,723
Taxes & Pension Payable	<u>1,320</u>				<u>1,320</u>
 Total Liabilities	 \$68,043	 ---	 ---	 ---	 \$68,043
 <u>FUND BALANCES:</u>					
Reserved:					
Fireman's Benefit Program	\$60,000				\$60,000
General	20,000				20,000
Firehouse	4,000				4,000
Future Capital Outlay			\$100,000		100,000
Unreserved:					
General	1,149,635				1,149,635
Capital	<u>72,146</u>	---	---	---	<u>72,146</u>
 Total Fund Balances	 <u>\$1,305,781</u>	 ---	 <u>\$100,000</u>	 ---	 \$1,405,781
 Total Liabilities and Fund Balances	 <u>\$1,373,824</u>	 ---	 <u>\$100,000</u>	 ---	

See accompanying Accountant's Report and Notes

**TOWNSHIP OF MONROE FIRE DISTRICT #1  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009**

TOTAL  
GOVERNMENTAL  
FUNDS

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.

\$ 7,427

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,018,344 and the accumulated depreciation is \$1,674,814.

343,530

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.

(303,051)

Net assets of governmental activities

\$1,453,687

See accompany accountant's Report and Notes



## MONROE TOWNSHIP FIRE DISTRICT NO. 1

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES:</b>					
Miscellaneous Anticipated Revenue	\$28,980				\$28,980
Operating Grant Revenue	2,608				2,608
Miscellaneous Revenues Offset					
With Appropriations	15,809				15,809
Fund Balance Appropriated	0				0
Amount to be Raised by Taxation to Support the District Budget	<u>1,397,614</u>	---	---	<u>\$96,252</u>	<u>1,493,866</u>
Total Revenues	\$1,445,011	---	---	\$96,252	\$1,541,263
<b>EXPENDITURES:</b>					
<b>Operating Appropriations:</b>					
Operating & Administration	\$120,843				\$120,843
Operations & Maintenance	979,571				979,571
Operating Approp. Offset Rev.	19,045				19,045
Capital Appropriations	50,000				50,000
Debt Service	<u>0</u>	---	---	<u>\$96,252</u>	<u>96,252</u>
Total Expenditures	<u>\$1,169,459</u>	---	---	<u>\$96,252</u>	<u>\$1,265,711</u>
Excess of Rev. Over Expenditures	\$275,552	---	---	\$0	\$275,552
<b>Other Financing Sources (Uses):</b>					
Misc. Revenue Not Anticipated	\$322				\$322
Reserve for Future Capital Outlay	<u>0</u>	---	<u>\$50,000</u>	<u>0</u>	<u>50,000</u>
Other Financing Sources (Uses)	<u>\$322</u>	---	<u>\$50,000</u>	<u>0</u>	<u>\$50,322</u>
Excess of Rev\Other Financing Sources Over Expenditures\Other Financing Uses	\$275,874	---	\$50,000	0	\$325,874
Fund Balances, December 31, 2008	936,960		50,000	0	986,960
Utilization of Fund Balance	0				0
Adjustment to Fund Balance	<u>8,947</u>	---	---	---	<u>8,947</u>
Fund Balances, December 31, 2009	<u>\$1,221,781</u>	<u>---</u>	<u>\$100,000</u>	<u>\$0</u>	<u>\$1,321,781</u>

See Accompanying Accountant's Report and Notes

**TOWNSHIP OF MONROE FIRE DISTRICT NO. 1  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

Total Net Change in Fund Balances - Governmental Funds	\$ 325,874
Amounts reported for governmental activities in the statement of activities (A-2) are different because:	
Utilization of Unrestricted Funds	(0)
<p>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.</p>	
Capital Outlay	5,502
Depreciation Expense	(208,384)
<p>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.</p>	82,119
<p>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 (+).</p>	<u>(1436)</u>
Change in Net Assets of Governmental Activities	<u>\$ 203,675</u>

See accompanying Accountant's Report and Notes

**NOTES TO THE FINANCIAL STATEMENTS**

# TOWNSHIP OF MONROE FIRE DISTRICT NO. 1

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

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

**Description of Reporting Entity** - Fire District No. 1 of the Township of Monroe is a political subdivision of the Township of Monroe, Middlesex County, New Jersey. It was formed in December 1981 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. 1 of the Township of Monroe has one fire company within its jurisdiction, the Monroe Township 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, 2009, it has been determined by the Fire District that no component units exist.

**Basis of Presentation** - The financial statements of the Township of Monroe Fire District No. 1 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.

**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

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

### **District-wide Financial Statements (cont'd)**

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 capital 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.

**Special Revenue Fund** - The Special Revenue Fund is used to account for the proceeds of specific revenues sources, such as state or federal government grants and appropriations, which are legally restricted to expenditures for specified purposes.

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

**Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities such as 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.

**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,

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

**Revenues - Exchange and Non-Exchange Transactions (cont'd)**

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 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.

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

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

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.

**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 year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the Fire District has received advances are reflected in the balance sheet as deferred revenues at year end.

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

**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



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

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

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 they may invest in. N.J.S.A. 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey governments.

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 chartered banks, savings banks or associations located in the State of New Jersey or state or federally chartered 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, 2009, 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, 2009.

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

**Short-Term Interfund Receivables / Payables** - Short-term interfund 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.

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,

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

### **Accrued Liabilities and Long-Term Obligations (Cont'd)**

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.

**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 reserves 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. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Fund balance reserves 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.

**Compensated Absences** - Compensated absences are those absences for which employees will be paid, such as vacation, sick leave and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Fire District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Fire District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

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

**Compensated Absences (cont'd)**

The entire compensated absence liability is reported on the district-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid with expendable available financial resources.

**NOTE 2: CASH AND CASH EQUIVALENTS**

All bank deposits as of December 31, 2009 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, 2009, the Fire District's deposits are summarized as follows:

<b><u>Category</u></b>	<b><u>Amount</u></b>
1	\$1,468,638
2	-0-
3	-0-
	<u>\$1,468,638</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:

**NOTE 3: PROPERTY TAX LEVIES (CONT'D)**

<u>Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2009	\$ 939,020,991	\$1,493,866	\$ .159
2008	936,495,343	1,463,143	.156
2007	918,635,262	1,368,019	.149
2006	855,374,700	1,597,650	.187
2005	843,496,279	1,058,904	.126

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2009 was as follows:

	<u>Balance Jan. 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance Dec.31, 2009</u>
Land	\$ 5,116			\$ 5,116
Vehicles	1,630,571			1,630,571
Firefighting Equipment	<u>377,155</u>	<u>\$ 5,502</u>	<u>- 0 -</u>	<u>382,657</u>
Totals	\$ 2,012,842	\$ 5,502	- 0 -	\$ 2,018,344
Total Capital Assets being Depreciated	\$ 2,007,726	\$ 5,502	- 0 -	\$ 2,013,228
Less Accumulated Depreciation:				
Vehicles	1,205,499	158,451	- 0 -	1,221,340
Firefighting Equip.	<u>260,931</u>	<u>49,933</u>	<u>- 0 -</u>	<u>310,864</u>
Total Accumulated Depreciation	\$ 1,466,430	\$ 208,384	- 0 -	\$ 1,674,814
Total Capital Assets being Depreciated, net of Accumulated Depreciation	<u>541,296</u>	<u>(202,882)</u>	<u>- 0 -</u>	<u>338,414</u>
Capital Assets, net	<u>\$ 546,412</u>	<u>\$(202,882)</u>	<u>- 0 -</u>	<u>\$ 343,530</u>

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

Cost of Operations and Maintenance	\$ 203,868
Cost of Appropriations Offset with Revenues	<u>4,516</u>
Total Depreciation Expense	<u>\$ 208,384</u>

**NOTE 5: LONG-TERM OBLIGATIONS**

During the year ended December 31, 2009, the following changes occurred in long-term obligations:

	Principal Outstanding Jan. 1, 2009	<u>Increases</u>	<u>Decreases</u>	Principal Outstanding Dec. 31, 2009	Due Within One Year
Obligation under Capital Lease	\$ 385,009	\$ - 0 -	\$ <96,252>	\$ 288,757	\$ 96,252
Compensated Absences	<u>12,987</u>	<u>1,307</u>	<u>&lt; - 0 - &gt;</u>	<u>14,294</u>	<u>- 0 -</u>
Total Gov. Act. Long-term Liabilities	\$ 397,996	\$ 1,307	\$ <96,252>	\$ 303,051	\$ 96,252

**Obligations under Capital Lease** - The Fire District has one (1) capital lease due as of December 31, 2009. It entered into the capital lease agreement with TD Equipment Finance, Inc., formerly Commerce Commercial Leasing, to lease / purchase a 2006 E-One Rear Mount SS Pumper. The terms of the lease require the principal repayment of \$600,000 to be paid in annual installments over seven years beginning July 2006. The following schedule details the lease and its payments:

<u>Year Ending</u> <u>Dec. 31</u>	<u>Vehicle</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	2006 Pumper	\$ 85,445	\$ 10,807	\$ 96,252
2011	2006 Pumper	\$ 88,905	\$ 7,347	\$ 96,252
2012	2006 Pumper	\$ 92,506	\$ 3,746	\$ 96,252

**Compensated Absences** - Compensated absences will be paid from the fund from which the employees' salaries are paid.

**NOTE 6: PENSION PLANS**

The Fire District contributes to two cost-sharing multiple-employer defined benefit pension plans, the Public Employees' Retirement System and the Police and Firemen's Retirement System, which are administered by the New Jersey Division of Pensions and Benefits. These plans provide retirement, death and disability. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B for

**NOTE 6: PENSION PLANS (CONT'D)**

the PERS. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey  
Division of Pensions and Benefits  
P. O. Box 295  
Trenton, New Jersey 08625-0295

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employee's Retirement System ("PERS") are required to contribute 5% of their annual covered salary. However, Chapter 115, P.L. 1997 provides for a reduction in this in this rate to 4.5% for calendar years 1998 and 1999. Chapter 415, P.L. 1999 provides for a reduction in this rate to 3% for calendar years 2000 and 2001 and for a contribution rate reduction of up to 2% of compensation in future calendar years if the State Treasurer determines that excess valuation assets will be used to reduce the normal contributions made to the system by the State and local employers in a fiscal year beginning immediately prior to a calendar year. Under this provision of the statute, the contribution rate for calendar years 2002, 2003 and 2004 has been established at 3%. As of the calendar year 2005, the Public Employers' Retirement System member contribution rate was at the full contribution rate of 5%. In accordance with Chapter 204, P.L. 1989, plan members enrolled in the Police and Firemen's Retirement System ("PFRS") are required to contribute 8.5% of their annual covered salary. The Fire District is billed annually for its normal contribution plus any accrued liability.

The Fire District's contributions to the various plans, equal to the required contributions, were as follows:

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>
2009	\$ 2,238 (B)	\$ 27,100 (B)
2008	1,864 (B)	24,455 (B)
2007	5,132 (B)	23,826 (B)
2006	2,865 (B)	15,760 (B)
2005	2,701 (B)	9,796 (B)

- (A) *Funded by the Excess Pension Asset Credit*
- (B) *Partially Funded by the Chapter 108, P.L. 2003 Phase-in Credit*
- (C) *Funded by the Pension Security Act Credit*
- (D) *Funded by the Pension Funding Credit*

In addition to the above Pension Plans previously noted the State Legislature recently adopted Chapter 92 of the Laws of 2007 (N.J.S.A. 43:15C-1 et. seq.) to

**NOTE 6: PENSION PLANS (CONT'D)**

create the Defined Contribution Retirement Program (DCRP) to provide retirement benefits to various county and municipal officials effective on 7/1/2007. DCRP states that a newly elected or appointed official must earn a minimum base salary of \$1,500 per year to be eligible to participate. A resolution was presented to and adopted by the Board of Fire Commissioners on July 16, 2008 determining positions eligible for the Defined Contribution Retirement Program, Chapter 92, P.L. 2007 (N.J.S.A. 43:15C-2). There were no participants enrolled in this program as of December 31, 2009.

**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.

**New Jersey Unemployment Compensation Insurance** - The Fire District covers its employees under the New Jersey Unemployment Trust Fund by the "contribution" method. Under this method, a contribution rate is established annually for the Fire District share of unemployment tax. This rate is based on cost experience for all government employers.

**NOTE 8: COMPENSATED ABSENCES**

The Fire District accounts for compensated absences (e.g., unused sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to service already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Full-time employees are entitled to twelve paid sick leave days each year. Unused sick leave may be accumulated and carried forward to the subsequent year.

The Fire District compensates employees for unused sick leave upon retirement. Employees are entitled to accumulate sick leave up to a maximum of two thousand one hundred and sixty (2160) hours. Payment will not exceed one half (1/2) of its total net worth in salary, but in no case shall such amount for unused sick leave exceed \$15,000.



**NOTE 8: COMPENSATED ABSENCES (CONT'D)**

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. As of December 31, 2009, the liability for compensated absences in the governmental fund types was \$14,294.

**NOTE 9: INTERFUND RECEIVABLES AND PAYABLES**

As of December 31, 2009, no interfund receivables or payables existed.

**NOTE 10: FUND BALANCES**

**RESERVED** - 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. 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 being made against a capital appropriation. Specific reservations of the fund balance as of December 31, 2009 are summarized below:

<b><u>Description</u></b>	<b><u>Amount</u></b>
Firehouse	\$ 4,000
Firemen's Benefit Program	\$ 60,000
Capital Outlay	\$100,000
General Funds	\$ 20,000

**UNRESERVED** - Of the \$1,221,781 unreserved fund balance at December 31, 2009, \$175,000 has been designated for subsequent year's expenditures.

**NOTE 11: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE**

For the year ended December 31, 2009, 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", and GASB Statement No. 38, "Certain Financial Statement Note Disclosures". GASB Statement 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.

**NOTE 11: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT  
OF FUND BALANCE (CONT'D)**

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

Fund Balances January 1, 2009	\$1,070,960
Prepaid Expenses	21,689
Capital Assets, net of Accumulated Depreciation	546,412
Long-term Liabilities	< 397,996 >
Governmental Activities Net Assets, January 1, 2009	<u>\$1,241,065</u>

**NOTE 12: LENGTH OF SERVICE AWARD PROGRAMS**

The Fire District's Length of Service Awards Program ("LOSAP") was created by a Fire District Resolution adopted on December 9, 1998 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 Monroe Fire District No. 1 approved the adoption of the Plan at the annual election held on February 20, 1999, and the first year of eligibility for entrance into the Plan by qualified volunteers was calendar year 1999. 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 MONROE FIRE DISTRICT NO. 1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>ORIGINAL BUDGET</u>	<u>BUDGET CHANGES/ TRFRS</u>	<u>FINAL BUDGET</u>	<u>2009 ACTUAL</u>	<u>VARIANCE</u>
<u>REVENUES:</u>					
Miscellaneous Anticipated Revenues:					
Interest on Deposits	\$22,500		\$22,500	\$28,980	\$6,480
Fund Balance Appropriated	<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>
Total Miscellaneous Anticipated Revenues	\$22,500	\$0	\$22,500	\$28,980	\$6,480
Operating Grant Revenue					
Supplemental Fire Services Act	2,608		2,608	2,608	0
Misc. Revenues Offset with Appropriations:					
Uniform Fire Safety Act (P.L. 1983, CH383):					
Other Revenues	<u>15,440</u>		<u>15,440</u>	<u>15,809</u>	<u>369</u>
Total Revenues and Fund Balance Utilized	\$40,548	\$0	\$40,548	\$47,397	\$6,849
Amount to be Raised by Taxation to Support the District Budget					
	<u>1,397,614</u>		<u>1,397,614</u>	<u>1,397,614</u>	<u>0</u>
Total Anticipated Revenues	\$1,438,162	\$0	\$1,438,162	\$1,445,011	\$6,849

(Continued)

## TOWNSHIP OF MONROE FIRE DISTRICT NO. 1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>ORIGINAL BUDGET</u>	<u>BUDGET CHANGES/ TRFRS</u>	<u>FINAL BUDGET</u>	<u>2009 ACTUAL</u>	<u>VARIANCE</u>
<u>EXPENDITURES:</u>					
Operating & Administration:					
Salaries & Wages:					
Commissioners	\$22,500		\$22,500	\$22,500	\$0
Health/Education Coordinator	15,000		15,000	15,000	0
Secretary	8,000		8,000	8,000	0
Employee Benefits	5,000		5,000	4,000	1,000
Other Expenses:					
Election Expense	1,500	\$50	1,550	1,508	42
Dues	500	(50)	450	300	150
Office Supplies	6,500		6,500	4,122	2,378
Professional Fees	<u>160,000</u>	<u>0</u>	<u>160,000</u>	<u>65,413</u>	<u>94,587</u>
Total Administration	\$219,000	\$0	\$219,000	\$120,843	\$98,157
Cost of Operations and Maintenance:					
Salaries & Wages:					
Paid Firemen	\$210,000		\$210,000	\$191,808	\$18,192
Employee Benefits	134,809		134,809	94,172	40,637
Other Expenses:					
Advertising	2,500		2,500	1,074	1,426
Insurance	56,175		56,175	48,159	8,016
Repairs & Maintenance	60,000	\$10,000	70,000	66,693	3,307
Supplies/Fuel	17,000	(5,000)	12,000	10,819	1,181
Training & Education	25,000		25,000	22,842	2,158
Uniforms	15,000		15,000	9,565	5,435
Reimbursement for Exps/Loss	25,000		25,000	19,971	5,029
Hydrant Service	168,275		168,275	168,010	265
Contract Services: Vol. Fire Co.	109,200		109,200	109,200	0
Equipment Acquisitions	110,000		110,000	104,766	5,234
Supplemental Fire Service Grant	2,608		2,608	2,608	0
U.F.S.A. Expenses	16,535		16,535	10,550	5,985
Firehouse Maintenance	60,000	(5,000)	55,000	46,796	8,204
Telephone Expenses (Cell)	10,000		10,000	7,433	2,567
Communication Exp: Equip Rental	28,000		28,000	22,657	5,343
Contingency	<u>50,000</u>	<u>0</u>	<u>50,000</u>	<u>0</u>	<u>50,000</u>
Total Cost of Operations and Maintenance	\$1,100,102	\$0	\$1,100,102	\$937,123	\$162,979

(Continued)

TOWNSHIP OF MONROE FIRE DISTRICT NO. 1

EXHIBIT C-1

BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>ORIGINAL BUDGET</u>	<u>BUDGET CHANGES/ TRFRS</u>	<u>FINAL BUDGET</u>	<u>2009 ACTUAL</u>	<u>VARIANCE</u>
Operating Approp. Offset with Revenues:					
Uniform Fire Safety Act:					
Salaries & Wages	\$17,680		\$17,680	\$17,510	\$170
Employee Benefits	1,380		1,380	1,535	(155)
Total Oper. Approp. Offset with Revenues	<u>\$19,060</u>		<u>\$19,060</u>	<u>\$19,045</u>	<u>\$15</u>
Length of Service Award Program	<u>50,000</u>		<u>50,000</u>	<u>42,448</u>	<u>7,552</u>
Total Operating Appropriations	\$1,388,162	\$0	\$1,388,162	\$1,119,459	\$268,703
Capital Appropriations:					
Future Capital Outlay	<u>\$50,000</u>		<u>\$50,000</u>	<u>\$50,000</u>	<u>\$0</u>
Total Capital Appropriations	<u>\$50,000</u>	<u>\$0</u>	<u>\$50,000</u>	<u>\$50,000</u>	<u>\$0</u>
Total Expenditures	<u>\$1,438,162</u>	<u>\$0</u>	<u>\$1,438,162</u>	<u>\$1,169,459</u>	<u>\$268,703</u>
Excess of Revenue Over Expenditures	\$0	\$0	\$0	\$275,552	\$275,552
Other Financing Sources (Uses):					
Miscellaneous Revenue Not Anticipated	<u>\$0</u>		<u>\$0</u>	<u>\$322</u>	<u>\$322</u>
Other Financing Sources (Uses)	<u>\$0</u>		<u>\$0</u>	<u>\$322</u>	<u>\$322</u>
Excess of Revenues\Other Financing Sources Over Expenditures\Other Financing Uses	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$275,874	<u>\$275,874</u>
Fund Balances, December 31, 2008				936,960	
Utilization of Fund Balance				0	
Adjustment to Fund Balance				8,947	
Fund Balances, December 31, 2009				<u>\$1,221,781</u>	

**TOWNSHIP OF MONROE FIRE DISTRICT NO. 1**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Note to RSI**  
**For the Year Ended December 31, 2009**

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

	<u>General Fund</u>
Sources/Inflows of Resources:	
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$1,541,585
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized	<u>-0-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2)	<u>\$1,541,585</u>
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$1,265,711
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	<u>-0-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2)	<u>\$1,265,711</u>



**OTHER SUPPLEMENTARY INFORMATION**

**CAPITAL PROJECTS FUND**

**MONROE TOWNSHIP FIRE DISTRICT NO. 1****CAPITAL PROJECTS FUND  
BALANCE SHEET  
DECEMBER 31, 2009**ASSETS:

Cash	<u>\$100,000</u>
Total Assets	<u>\$100,000</u>

## LIABILITIES AND FUND BALANCES:

## LIABILITIES:

Total Liabilities	\$0
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## FUND BALANCES:

Reserve for Future Capital Outlay	<u>\$100,000</u>
Total Fund Balance	<u>\$100,000</u>
Total Liabilities and Fund Balances	<u>\$100,000</u>

See accompanying Accountant's Report and Notes

## TOWNSHIP OF MONROE FIRE DISTRICT MONROE NO. 1

BUDGETARY COMPARISON SCHEDULE  
 CAPITAL PROJECTS FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>BUDGET</u> <u>CHANGES/</u> <u>TRFRS</u>	<u>FINAL</u> <u>BUDGET</u>	<u>2009</u> <u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:					
Miscellaneous Anticipated Revenues:					
Interest on Deposits	\$0		\$0	\$0	\$0
Fund Balance Appropriated	<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	\$0	\$0	\$0	\$0	\$0
EXPENDITURES:					
Capital Appropriations:					
Capital Outlay	\$0		\$0	\$0	\$0
Total Capital Appropriations	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Excess of Revenues Over Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Other Financing Sources (Uses):					
Reserve for Future Capital Outlay	<u>\$0</u>		<u>\$0</u>	<u>\$50,000</u>	<u>\$50,000</u>
Other Financing Sources (Uses)	<u>\$0</u>		<u>\$0</u>	<u>\$50,000</u>	<u>\$50,000</u>
Excess of Revenues\Other Financing Sources Over Expenditures\Other Financing Uses	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$50,000	<u>\$50,000</u>
Fund Balances, December 31, 2008				50,000	
Prior Period Adjustment				<u>0</u>	
Fund Balances, December 31, 2009				<u>\$100,000</u>	

## TOWNSHIP OF MONROE FIRE DISTRICT NO. 1

**GENERAL LONG-TERM DEBT ACCOUNT GROUP  
SCHEDULE OF CHANGES IN LONG-TERM DEBT  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Balance</u> <u>Dec. 31, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
Obligations Under Capital Leases				
Capital Lease	\$0	\$0	\$0	\$0
Capital Lease II	<u>385,009</u>	<u>0</u>	<u>96,252</u>	<u>288,757</u>
Total Obligations Under Capital Leases	<u>\$385,009</u>	<u>\$0</u>	<u>\$96,252</u>	<u>\$288,757</u>

See accompanying Accountant's Report and Notes

## **SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**FIRE DISTRICT NO. 1  
TOWNSHIP OF MONROE, NEW JERSEY  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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.

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, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

SPOTSWOOD, N.J.  
AUGUST 25, 2010