

**FIRE DISTRICT NO. 1
TOWNSHIP OF MONROE, NEW JERSEY**

REPORT OF AUDIT

DECEMBER 31, 2012

**TOWNSHIP OF MONROE
FIRE DISTRICT NO. 1
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FIRE DISTRICT #1
TOWNSHIP OF MONROE, NEW JERSEY
2013 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
VINCENT DILIETO	ASSISTANT CLERK/ TREASURER
OTHER OFFICIALS	
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



INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Township of Monroe
Fire District #1
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 No. 1, in the County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2012, which collectively comprise the Fire District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Monroe Fire District No. 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, 2012.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Township of Monroe Fire District No. 1, in the County of Middlesex, State of New Jersey as of December 31, 2012, and the respective changes in financial position

thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 1, 2013 on our consideration of the Township of Monroe Fire District No. 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 No. 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, SOLITARIO & TIERNEY
CERTIFIED PUBLIC ACCOUNTANTS

AUGUST 1, 2013
SPOTSWOOD, N.J.



**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 No. 1, in the County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2012 and have issued our report thereon dated August 1, 2013, which indicated that the Fire District implemented a new reporting model, as promulgated by GASB Statement #34, as of and for the year ended December 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of Monroe Fire District No. 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 misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Monroe Fire District No. 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, SOLITARIO & TIERNEY
CERTIFIED PUBLIC ACCOUNTANTS

AUGUST 1, 2013
SPOTSWOOD, N.J.

REQUIRED SUPPLEMENTARY INFORMATION
PART 1

**TOWNSHIP OF MONROE FIRE DISTRICT NO. 1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

As management of the Township of Monroe Fire District No. 1, we offer readers of the Township of Monroe Fire District No. 1 financial statements this narrative overview and analysis of the financial activities of the Township of Monroe Fire District No. 1 for the year ended December 31, 2012. 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 Township of Monroe Fire District No. 1's financial performance.

Financial Highlights

- The assets of the Township of Monroe Fire District No. 1 exceeded its liabilities at the close of the most recent year by \$1,380,324 (net Assets).
- As of the close of the current year, the Township of Monroe Fire District No. 1's governmental funds reported combined ending fund balances of \$1,108,813, a decrease of \$141,401 in comparison with the prior year.
- At the end of the current year, the committed fund balance for all funds was \$84,000. There was no change from the prior year.
- At the end of the current year, the unassigned fund balance for the general fund was \$952,667, approximately a 12.9 percent decrease from the prior year.
- The total debt of the Township of Monroe Fire District No. 1 decreased by \$96,252 as a result of a payment to capital lease obligation. This was the last year for a payment on this obligation.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township of Monroe Fire District No. 1's basic financial statements. The Township of Monroe 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 Township of Monroe 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 Township of Monroe 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 Township of Monroe Fire District No. 1 is improving or deteriorating.

The Statement of Activities presents information showing how the Township of Monroe 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.

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

Governmental Funds. All of the Township of Monroe 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 Township of Monroe 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 Township of Monroe 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, the Township of Monroe 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 the Township of Monroe Fire District No. 1 assets exceeded liabilities by \$1,380,324 at the close of the most recent year.

A portion of the Township of Monroe Fire District No. 1's net assets (18 percent) reflects its investment in capital assets (i.e. vehicles and equipment). The Township of Monroe Fire District No. 1 uses these assets to provide fire-fighting services to the citizens of the Township of Monroe Fire District No. 1 consequently these assets are not available for future spending.

Statement of Net Assets

TOWNSHIP OF MONROE FIRE DISTRICT NO. 1
NET ASSETS
DECEMBER 31, 2012

CURRENT AND OTHER ASSETS	\$	1,211,341
CAPITAL ASSETS		<u>259,052</u>
TOTAL ASSETS	\$	1,470,393
OTHER LIABILITIES	\$	<u>90,069</u>
TOTAL LIABILITIES	\$	<u>90,069</u>
NET ASSETS	\$	<u>1,380,324</u>

ANALYSIS OF NET ASSETS

INVESTED IN CAPITAL ASSETS NET OF RELATED DEBT	\$	259,052
COMMITTED FOR FUTURE EXPENDITURES		84,000
UNASSIGNED		<u>1,037,272</u>
TOTAL NET ASSETS	\$	<u>1,380,324</u>

An additional portion of the Township of Monroe Fire District No. 1's net assets (6 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	\$	166,475
Cost of Operations and Maintenance		775,443
Operating Appropriations Offset with Revenues		29,323
LOSAP Contribution		45,000
Capital Appropriations:		
Land (Deposit)		<u>57,500</u>

Total Program Expenses	\$	1,073,741
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Program Revenues		
Charges for Services	\$	15,132
Operating Grants & Contributions		<u>2,715</u>

Total Program Revenues	\$	17,847
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Net Program Expenses	\$	1,055,894
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General Revenues

Taxes:		
Property Taxes, Levied for General Purposes	\$	936,090
Taxes Levied for Debt Service		96,252
Unrestricted Investment Earnings		8,356
Miscellaneous Income		<u>12,686</u>

Total General Revenues	\$	<u>1,053,384</u>
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Decrease in Net Assets	\$	(2,510)
Net Assets, January 1	\$	1,381,254
Prior Period Adjustment		<u>1,580</u>
Net Assets, December 31	\$	<u>1,380,324</u>

Property taxes constituted 98% of revenues for government activities for the Fire District for the year 2012.

Cost of Operations and Maintenance comprises 73% of fire district expenses.

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

Governmental Fund. The focus of the Township of Monroe 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 Township of Monroe Fire District No. 1's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year and as a useful measure of permitting a governmental unit to maintain cash flow in anticipation of tax collections.

As of the end of the current year, the Township of Monroe Fire District No. 1's governmental funds reported combined ending fund balances of \$1,108,813, a decrease of \$141,401 in comparison with the prior year.

Of the combined ending fund balances of \$1,108,813, the unassigned fund balance constituted \$1,024,813. Of the unassigned fund balance, \$566,000 has been utilized in the 2013 budget. The remainder of fund balance, in the amount of \$84,000, is committed 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 Township of Monroe Fire District No. 1.

The general fund is the main operating fund of the Township of Monroe Fire District No. 1. At the end of the current year, the unassigned fund balance of the general fund was \$952,667. The general fund balance decreased by \$141,401 during the year.

The committed funds of the Township of Monroe Fire District No. 1 contain various specified funds. At the end of the current year the committed funds total was \$84,000. There was no change from the prior year.

General Fund Budgetary Highlights

During the course of the 2012-year the Township of Monroe Fire District No. 1 modified its general fund budget in conformance with statute.

The final budgetary basis revenue estimate was \$1,212,842. The original budgetary estimate was the same.

During the year 2012, the Township of Monroe Fire District No. 1 budgeted \$1,032,342 for property taxes (local tax levy) and \$0 for state aid revenues (supplemental fire services grant). The Fire Safety Act Revenue was budgeted for \$17,500.

The final budgetary basis expenditures appropriation estimate was \$1,212,842. The original budgetary estimate was the same.

Capital Assets and Debt Administration

The Township of Monroe Fire District No. 1's investment in capital assets for its governmental activities as of December 31, 2012 amounts to \$259,052 (net of accumulated depreciation). This investment in capital assets includes land, vehicles and firefighting equipment.

At the end of 2012 the Township of Monroe Fire District No. 1 had \$2,332,070 invested in land, vehicles and firefighting equipment. The accumulated depreciation on these items was \$2,073,018.

TOWNSHIP OF MONROE FIRE DISTRICT NO. 1
CAPITAL ASSETS
(NET OF ACCUMULATED DEPRECIATION)
DECEMBER 31, 2012

LAND	\$ 5,116
VEHICLES	142,481
FIREFIGHTING EQUIPMENT	<u>111,455</u>
 TOTAL CAPITAL ASSETS	 \$ <u>259,052</u>

Additional information on the Township of Monroe 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, 2012 the Township of Monroe Fire District No. 1 has paid off their capital lease obligations.

Economic Factors and Next Years Budget

For the 2012 year the Township of Monroe Fire District No. 1 was able to sustain its budget through the district tax levy and other sources of revenue. Approximately 97 percent of total revenue is from the local tax levy, while the remainder is from other sources.

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

Requests for Information

This financial report is designed to provide a general overview of the Township of Monroe 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
Township of Monroe
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, 2012****ASSETS:**

Cash and Cash Equivalents	\$1,198,696
Escrow: Monroe Township	186
Prepaid Expenses	12,459
Capital Assets, net (Note 4)	<u>259,052</u>
Total Assets	1,470,393

LIABILITIES:

Accounts Payable	89,569
Pension Payable	500
Noncurrent Liabilities (Note 5)	
Due within One Year	<u>0</u>
Total Liabilities	90,069

NET ASSETS:

Invested in Capital assets, Net of Related debt.	259,052
Committed for:	
Fireman's Benefit Program	60,000
General	20,000
Firehouse	4,000
Unassigned:	
General	965,126
Capital	<u>72,146</u>
Total Net Assets	<u>\$1,380,324</u>

See accompanying Accountant's Report and Notes

TOWNSHIP OF MONROE FIRE DISTRICT NO. 1

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2012

Expenses:	
Operating Appropriations:	
Administration	\$166,475
Cost of Operations and Maintenance	775,443
Operating Appropriations Offset with Revenues	29,323
Length of Service Award Program (LOSAP)-	
Contribution (P.L. 1997, c. 388)	45,000
Capital Appropriations:	
Land (Deposit)	<u>57,500</u>
Total Program Expenses	\$1,073,741
Program Revenues:	
Charges for Services	15,132
Operating Grants and Contributions	<u>2,715</u>
Net Program Expenses	\$1,055,894
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	\$936,090
Taxes Levied for Debt Service	96,252
Unrestricted Investment Earnings	8,356
Miscellaneous Income	<u>12,686</u>
Total General Revenues	<u>\$1,053,384</u>
Decrease in Net Assets	(\$2,510)
Net Assets, January 1 (Note 11)	1,381,254
Adjustment to Fund Balance	0
Prior Period Adjustment	<u>1,580</u>
Net Assets, December 31	<u>\$1,380,324</u>

See accompanying Accountant's Report and Notes

FUND FINANCIAL STATEMENTS

TOWNSHIP OF MONROE FIRE DISTRICT NO. 1

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

<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	\$1,198,696				\$1,198,696
Escrow: Monroe Twp	<u>186</u>				<u>186</u>
Total Assets	<u>\$1,198,882</u>	---	<u>\$0</u>	---	<u>\$1,198,882</u>
 <u>LIABILITIES AND FUND BALANCES:</u>					
 <u>LIABILITIES:</u>					
Accounts Payable	\$89,569				\$89,569
Pension Payable	<u>500</u>				<u>500</u>
Total Liabilities	\$90,069	---	---	---	\$90,069
 <u>FUND BALANCES:</u>					
Committed:					
Fireman's Benefit Program	\$60,000				\$60,000
General	20,000				20,000
Firehouse	4,000				4,000
Unassigned:					
General	952,667				952,667
Capital	<u>72,146</u>	---	---	---	<u>72,146</u>
Total Fund Balances	<u>\$1,108,813</u>	---	<u>\$0</u>	---	\$1,108,813
Total Liabilities and Fund Balances	<u>\$1,198,882</u>	---	<u>\$0</u>	---	

See accompanying Accountant's Report and Notes

**TOWNSHIP OF MONROE FIRE DISTRICT #1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

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.

\$ 12,459

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,332,070 and the accumulated depreciation is \$2,073,018.

259,052

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.

0

Net assets of governmental activities

\$1,380,324

See accompany accountant's Report and Notes

TOWNSHIP OF MONROE FIRE DISTRICT NO. 1

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

	General <u>Fund</u>	Special Revenue <u>Fund</u>	Capital Projects <u>Fund</u>	Debt Service <u>Fund</u>	Total Governmental <u>Funds</u>
REVENUES:					
Interest	\$8,356				\$8,356
Operating Grant Revenue	2,715				2,715
Miscellaneous Revenues Offset					
With Appropriations	15,132				15,132
Fund Balance Appropriated	160,000				160,000
Amount to be Raised by Taxation to Support the District Budget	<u>936,090</u>	---	---	<u>\$96,252</u>	<u>1,032,342</u>
Total Revenues	\$1,122,293	---	---	\$96,252	\$1,218,545
EXPENDITURES:					
Operating Appropriations:					
Operating & Administration	\$166,475				\$166,475
Operations & Maintenance	866,922				866,922
Operating Approp. Offset Rev.	27,063				27,063
Capital Appropriations	57,500				57,500
Debt Service	<u>0</u>	---	---	<u>\$96,252</u>	<u>96,252</u>
Total Expenditures	<u>\$1,117,960</u>	---	---	<u>\$96,252</u>	<u>\$1,214,212</u>
Excess of Rev. Over Expenditures	\$4,333	---	---	\$0	\$4,333
Other Financing Sources (Uses):					
Misc. Revenue Not Anticipated	<u>\$12,686</u>	---	---	---	<u>\$12,686</u>
Other Financing Sources (Uses)	<u>\$12,686</u>	---	---	<u>\$0</u>	<u>\$12,686</u>
Excess of Rev\Other Financing Sources Over Expenditures\Other Financing Uses	\$17,019	---	---	\$0	\$17,019
Fund Balances, January 1, 2012	1,166,214			0	1,166,214
Prior Period Adjustment	1,580				1,580
Utilization of Fund Balance	(160,000)	---	---	---	(160,000)
Fund Balances, December 31, 2012	<u>\$1,024,813</u>	---	---	<u>\$0</u>	<u>\$1,024,813</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, 2012**

Total Net Change in Fund Balances - Governmental Funds	\$ 17,019
Amounts reported for governmental activities in the statement of activities (A-2) are different because:	
Utilization of Unassigned Funds	(160,000)
Utilization of Committed 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	118,905
Depreciation Expense	(74,860)
<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>	96,252
<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>174</u>
Change in Net Assets of Governmental Activities	<u>\$ (2,510)</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, 2012

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, 2012, 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.

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

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

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

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

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

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

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

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

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

Measurement Focus

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

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

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

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

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

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

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

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

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

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

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

Budgets / Budgetary Control (cont'd)

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

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

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

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

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

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

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

New Jersey governments are limited as to the types of investments and types of financial institutions 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.

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

Cash, Cash Equivalents and Investments (cont'd)

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

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include State or federally 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, 2012, no inventories exist.

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

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

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

Capital Assets (Cont'd)

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

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

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

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

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

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

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

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as committed 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 committed resources when an expense is incurred for purposes for which both committed and unassigned net assets are available.

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

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

NOTE 2: CASH AND CASH EQUIVALENTS

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

Category 1

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

Category 2

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

Category 3

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

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

<u>Category</u>	<u>Amount</u>
1	\$1,198,696
2	-0-
3	-0-
	<u>\$1,198,696</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:

<u>Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2012	\$ 930,756,914	\$1,032,342	\$.110
2011	939,734,130	1,028,010	.109
2010	940,596,222	1,308,565	.139
2009	939,020,991	1,493,866	.159
2008	936,495,343	1,463,143	.156

NOTE 4: CAPITAL ASSETS

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

	<u>Balance</u> <u>Jan. 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>Dec.31, 2012</u>
Land	\$ 5,116			\$ 5,116
Vehicles	1,825,392			1,825,392
Firefighting Equipment	<u>382,657</u>	<u>\$ 118,905</u>	<u>- 0 -</u>	<u>501,562</u>
Totals	\$ 2,213,165	\$ 118,905	- 0 -	\$ 2,332,070
Total Capital Assets being Depreciated	\$ 2,208,049	\$ 118,905	- 0 -	\$ 2,326,954
Less Accumulated Depreciation:				
Vehicles	1,629,474	53,437	- 0 -	1,682,911
Firefighting Equip.	<u>368,684</u>	<u>21,423</u>	<u>- 0 -</u>	<u>390,107</u>
Total Accumulated Depreciation	\$ 1,998,158	\$ 74,860	- 0 -	\$ 2,073,018
Total Capital Assets being Depreciated, net of Accumulated Depreciation	<u>209,891</u>	<u>44,045</u>	<u>- 0 -</u>	<u>253,936</u>
Capital Assets, net	<u>\$ 215,007</u>	<u>\$ 44,045</u>	<u>- 0 -</u>	<u>\$ 259,052</u>

* Depreciation expense was charged to governmental functions as follows:

Cost of Operations and Maintenance	\$ 72,600
Cost of Appropriations Offset with Revenues	<u>2,260</u>
Total Depreciation Expense	<u>\$ 74,860</u>

NOTE 5: LONG-TERM OBLIGATIONS

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

	<u>Principal Outstanding Jan. 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Principal Outstanding Dec. 31, 2012</u>	<u>Due Within One Year</u>
Obligation under Capital Lease	\$ 96,252	\$ - 0 -	\$ <96,252>	\$ - 0 -	\$ - 0 -

NOTE 6: PENSION PLANS

The Fire District contributes to a cost-sharing multiple-employer defined benefit pension plan, the Public Employees' Retirement System, which is administered by the New Jersey Division of Pensions and Benefits. This plan provides retirement, death and disability. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B. This 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 Employees 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%. The Fire District is billed annually for its normal contribution plus any accrued liability.

NOTE 6: PENSION PLANS (Cont'd)

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

<u>Year</u>	<u>PERS</u>
2012	\$ 4,463 (A)
2011	4,463 (A)
2010	5,988 (A)
2009	2,238 (A)
2008	1,864 (A)

(A) *Partially Funded by the Chapter 108, P.L. 2003 Phase-in 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 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, 2012.

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: INTERFUND RECEIVABLES AND PAYABLES

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

NOTE 9: FUND BALANCES

COMMITTED

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. 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, 2012 are summarized below:

For Future Capital Outlays - These funds are committed for capital expenditures to be made in future years. When the Fire District desires to utilize these funds in their annual budget, a capital resolution must be passed by the Board of Fire Commissioners prior to any expenditure against a capital appropriation. As of December 31, 2012, the fund balance is \$84,000.

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

UNASSIGNED

Of the \$1,024,813 unassigned fund balance at December 31, 2012, \$566,000 has been designated for the subsequent year's expenditures.

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

For the year ended December 31, 2012, the Fire District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions", GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures" and GASB issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement 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 10: 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, 2012	\$1,250,214
Prepaid Expenses	12,285
Capital Assets, net of Accumulated Depreciation	215,007
Long-term Liabilities	< 96,252 >
Governmental Activities Net Assets, January 1, 2012	<u>\$1,381,254</u>

NOTE 11: LENGTH OF SERVICE AWARD PROGRAMS

The Fire District's Length of Service Awards Program ("LOSAP") was created by a Fire District Resolution adopted 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 11

BUDGETARY COMPARISON SCHEDULES

TOWNSHIP OF MONROE FIRE DISTRICT NO. 1

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

	<u>ORIGINAL BUDGET</u>	<u>BUDGET CHANGES/ TRFRS</u>	<u>FINAL BUDGET</u>	<u>2012 ACTUAL</u>	<u>VARIANCE</u>
<u>REVENUES:</u>					
Miscellaneous Anticipated Revenues:					
Interest on Deposits	\$8,500		\$8,500	\$8,356	(\$144)
Fund Balance Appropriated	<u>160,000</u>		<u>160,000</u>	<u>160,000</u>	<u>0</u>
Total Miscellaneous Anticipated Revenues	\$168,500	\$0	\$168,500	\$168,356	(\$144)
Operating Grant Revenue					
Supplemental Fire Services Act	0		0	2,715	2,715
Misc. Revenues Offset with Appropriations:					
Uniform Fire Safety Act.(P.L.1983,CH383):					
Other Revenues	<u>12,000</u>		<u>12,000</u>	<u>15,132</u>	<u>3,132</u>
Total Revenues and Fund Balance Utilized	\$180,500	\$0	\$180,500	\$186,203	\$5,703
Amount to be Raised by Taxation to Support the District Budget					
	<u>936,090</u>		<u>936,090</u>	<u>936,090</u>	<u>0</u>
Total Anticipated Revenues	\$1,116,590	\$0	\$1,116,590	\$1,122,293	\$5,703

(Continued)

See accompanying Accountant's Report and Notes

TOWNSHIP OF MONROE FIRE DISTRICT NO. 1

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

	<u>ORIGINAL BUDGET</u>	<u>BUDGET CHANGES/ TRFRS</u>	<u>FINAL BUDGET</u>	<u>2012 ACTUAL</u>	<u>VARIANCE</u>
<u>EXPENDITURES:</u>					
Operating & Administration:					
Salaries & Wages:					
Commissioners	\$23,750		\$23,750	\$23,438	\$312
Health/Education Coordinator	15,000		15,000	15,000	0
Secretary	9,250		9,250	9,188	62
Employee Benefits	8,200	60	8,260	8,802	(542)
Other Expenses:					
Election Expense	2,000		2,000	1,435	565
Dues	1,000		1,000	914	86
Office Supplies	7,500	(\$60)	7,440	5,102	2,338
Professional Fees	<u>110,000</u>	<u>0</u>	<u>110,000</u>	<u>102,596</u>	<u>7,404</u>
Total Administration	\$176,700	\$0	\$176,700	\$166,475	\$10,225
Cost of Operations and Maintenance:					
Salaries & Wages:					
Paid Firemen	\$0		\$0	\$0	\$0
Employee Benefits	21,000		21,000	19,791	1,209
Other Expenses:					
Advertising	1,000		1,000	349	651
Insurance	49,500		49,500	47,722	1,778
Repairs & Maintenance	87,500	\$6,500	94,000	91,696	2,304
Supplies/Fuel	17,000		17,000	17,671	(671)
Training & Education	25,000	3,800	28,800	28,785	15
Uniforms	15,000		15,000	9,047	5,953
Reimbursement for Exps/Loss	25,000		25,000	11,783	13,217
Hydrant Service	174,275		174,275	171,761	2,514
Contract Services: Vol. Fire Co.	125,000		125,000	125,000	0
Equipment Acquisitions	205,000	2,000	207,000	205,602	1,398
Supplemental Fire Service Grant	0		0	2,715	(2,715)
U.F.S.A. Expenses	15,200		15,200	13,781	1,419
Firehouse Maintenance	40,000	(10,300)	29,700	29,528	172
Telephone Expenses (Cell)	10,000		10,000	5,541	4,459
Communication Exp: Equip Rental	27,500	(2,000)	25,500	11,150	14,350
Contingency	<u>30,000</u>	<u>0</u>	<u>30,000</u>	<u>30,000</u>	<u>0</u>
Total Cost of Operations and Maintenance	\$867,975	\$0	\$867,975	\$821,922	\$46,053

(Continued)

See accompanying Accountant's Report and Notes

TOWNSHIP OF MONROE FIRE DISTRICT NO. 1

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

	<u>ORIGINAL BUDGET</u>	<u>BUDGET CHANGES/ TRFRS</u>	<u>FINAL BUDGET</u>	<u>2012 ACTUAL</u>	<u>VARIANCE</u>
Operating Approp. Offset with Revenues:					
Uniform Fire Safety Act:					
Salaries & Wages	\$24,990		\$24,990	\$24,868	\$122
Employee Benefits	<u>1,925</u>		<u>1,925</u>	<u>2,195</u>	<u>(270)</u>
Total Oper. Approp. Offset with Revenues	<u>\$26,915</u>		<u>\$26,915</u>	<u>\$27,063</u>	<u>(\$148)</u>
Length of Service Award Program	<u>45,000</u>		<u>45,000</u>	<u>45,000</u>	<u>0</u>
Total Operating Appropriations	\$1,116,590	\$0	\$1,116,590	\$1,060,460	\$56,130
Capital Appropriations:					
Land (Deposit)	<u>\$0</u>		<u>\$0</u>	<u>\$57,500</u>	<u>(\$57,500)</u>
Total Capital Appropriations	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$57,500</u>	<u>(\$57,500)</u>
Total Expenditures	<u>\$1,116,590</u>	<u>\$0</u>	<u>\$1,116,590</u>	<u>\$1,117,960</u>	<u>(\$1,370)</u>
Excess of Revenue Over Expenditures	\$0	\$0	\$0	\$4,333	\$4,333
Other Financing Sources (Uses):					
Miscellaneous Revenue Not Anticipated	<u>\$0</u>		<u>\$0</u>	<u>\$12,686</u>	<u>\$12,686</u>
Other Financing Sources (Uses)	<u>\$0</u>		<u>\$0</u>	<u>\$12,686</u>	<u>\$12,686</u>
Excess of Revenues\Other Financing Sources Over Expenditures\Other Financing Uses	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$17,019	<u>\$17,019</u>
Fund Balances, January 1, 2012				1,166,214	
Prior Period Adjustment				1,580	
Utilization of Fund Balance				<u>(160,000)</u>	
Fund Balances, December 31, 2012				<u>\$1,024,813</u>	

See accompanying Accountant's Report and Notes

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF MONROE FIRE DISTRICT NO. 1
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Year Ended December 31, 2012

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

	<u>General Fund</u>
Sources/Inflows of Resources:	
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$1,231,231
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>\$1,231,231</u>
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$1,214,212
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>\$1,214,212</u>

OTHER SUPPLEMENTARY INFORMATION

DEBT SERVICE FUND

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, 2012

	<u>Balance</u> <u>Jan. 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
Obligations Under Capital Leases				
Capital Lease II	<u>\$96,252</u>	<u>\$0</u>	<u>\$96,252</u>	<u>\$0</u>
Total Obligations Under Capital Leases	<u>\$96,252</u>	<u>\$0</u>	<u>\$96,252</u>	<u>\$0</u>

See accompanying Accountant's Report and Notes

TOWNSHIP OF MONROE FIRE DISTRICT MONROE NO. 1

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

	<u>ORIGINAL BUDGET</u>	<u>BUDGET CHANGES/ TRFRS</u>	<u>FINAL BUDGET</u>	<u>2012 ACTUAL</u>	<u>VARIANCE</u>
REVENUES:					
Fire District Tax Levy	\$96,252		\$96,252	\$96,252	\$0
EXPENDITURES:					
Principal Payments:					
Capital Leases	\$92,506		\$92,506	\$92,506	\$0
Interest Payments:					
Capital Leases	<u>3,746</u>		<u>3,746</u>	<u>3,746</u>	<u>0</u>
Total Expenditures	<u>\$96,252</u>	<u>\$0</u>	<u>\$96,252</u>	<u>\$96,252</u>	<u>\$0</u>
Excess(Deficiency) of Revenues Over (Under) Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0	<u>\$0</u>
Fund Balances, January 1, 2012				<u>0</u>	
Fund Balances, December 31, 2012				<u>\$0</u>	

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**TOWNSHIP OF MONROE
FIRE DISTRICT NO. 1**

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

Schedule of Financial Statement Findings

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

A reportable issue that needs to be addressed is the lack of substantial backup for credit card charges being incurred by the Fire Department and paid by the Fire District. There needs to be a system implemented to properly track and record all credit card charges.

**TOWNSHIP OF MONROE
FIRE DISTRICT NO. 1**

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

Financial Statement Findings

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

None.

APPRECIATION

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

Respectfully submitted,

BONAMICI, COLLETTI, SOLITARIO & TIERNEY
CERTIFIED PUBLIC ACCOUNTANTS

AUGUST 1, 2013
SPOTSWOOD, N.J.