

**Keasbey Board of Fire Commissioners  
Fire District No. 4  
Woodbridge Township  
Keasbey, New Jersey  
Financial Statements  
December 31, 2011**

**KEASBEY BOARD OF FIRE COMMISSIONERS  
FIRE DISTRICT NO. 4  
WOODBRIIDGE TOWNSHIP, NJ**

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**INDEPENDENT AUDITOR'S REPORT**

May 10, 2012

Keasbey Board of Fire Commissioners  
Fire District No. 4  
Woodbridge Township, NJ

I have audited the accompanying financial statements of the governmental activities, and each major fund of the Keasbey Board of Fire Commissioners, Fire District No. 4, Woodbridge Township, NJ (Keasbey Board of Fire Commissioners) as of December 31, 2011 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Keasbey Board of Fire Commissioners. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, and in compliance with audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards required that I 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. I believe that my audit provides a reasonable basis for my opinion.

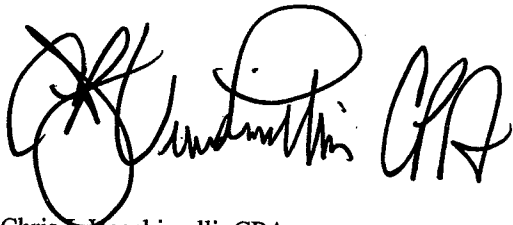
In my opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of the governmental activities, and each major fund of the Keasbey Board of Fire Commissioners as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 10, 2012, on my consideration of the internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, and other matters. The purpose of that report is to describe the scope of my 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 my audit.

Management's Discussion and Analysis and the 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 the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

This report is intended solely for the information and use of the Keasbey Board of Fire Commissioners, Fire District No. 4, Woodbridge Township, NJ and for filing with the Division of Local Government Services, Department of Community Affairs, State of New Jersey and should not be used for any other purpose.

A handwritten signature in black ink, appearing to read "Chris J. Vecchiarelli CPA". The signature is stylized with large, flowing loops and a prominent "C" at the beginning.

Chris J. Vecchiarelli, CPA

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

May 10, 2012

Keasbey Board of Fire Commissioners  
Fire District No. 4  
Woodbridge Township, NJ

I have audited the financial statements of the Keasbey Board of Fire Commissioners, Fire District No. 4, Woodbridge Township, NJ (Keasbey Board of Fire Commissioners) as of and for the year ended December 31, 2011, and have issued my report thereon dated April 30, 2012. I conducted my 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 prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Compliance**

As part of obtaining reasonable assurance about whether the Keasbey Board of Fire Commissioners' financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws and regulations, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* and the audit requirements of the Division of Local Government Services.

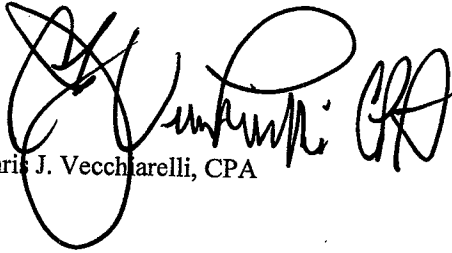
**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Keasbey Board of Fire Commissioners' internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My 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.

During 2011, the Board entered into a Lease with Option to Purchase Agreement (Agreement) to fund the cost of refurbishing a Tower Ladder Truck (Equipment) in the amount of \$370,000. Under the terms of the Agreement, the Lessor through its assignee transferred the \$370,000 to an escrow account to be disbursed to the vendor when the Equipment was delivered & accepted by the Board. Neither the \$370,000 escrow balance nor the \$370,000 lease liability were recorded in the Board's accounting records and financial statements. Since these amounts are considered to be material to the Board's financial statements I consider this to be a material weakness involving the internal control over financial reporting.

This reported is intended solely for the use of the Keasbey Board of Fire Commissioners and the Division of Local Government Services, Department of Community Affairs, State of NJ and should not be used for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Chris J. Vecchiarelli", followed by the letters "CPA". The signature is stylized with large loops and a cursive script.

Chris J. Vecchiarelli, CPA

**KEASBEY BOARD OF FIRE COMMISSIONERS  
FIRE DISTRICT NO. 4  
WOODBIDGE TOWNSHIP, NJ**

Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
(Unaudited)

As management of the Keasbey Board of Fire Commissioners (Board), Fire District No. 4, Woodbridge Township, NJ, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Keasbey Board of Fire Commissioners for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the Keasbey Board of Fire Commissioners' financial performance as a whole; readers should also review the information furnished in the notes to the basic financial statements and the financial statements to enhance their understanding of Keasbey Board of Fire Commissioners' financial performance.

As discussed in Note 2 to the financial statements, the Board follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*.

**Financial Highlights**

- The assets of the Keasbey Board of Fire Commissioners exceeded its liabilities at December 31, 2011 and December 31, 2010 by \$922,214 and \$ 870,962, respectively.
- At December 31, 2011, the Keasbey Board of Fire Commissioners governmental funds reported combined ending fund balances of \$311,263, a decrease of \$98,247 from the prior year resulting primarily from expenditures exceeding revenues as planned (i.e. budgeted) by the Board. The budgeted decrease related primarily to costs associated with the rescue truck re-build which is discussed in Note 4.
- At December 31, 2011, the unrestricted/unassigned fund balance for the general fund was \$268,455, an approximate 15% decrease from the prior year. This was the result of expenditures exceeding revenues as planned (i.e. budgeted) by the Board.
- At December 31, 2011, there was \$386,117 of cash restricted for future capital expenditures. Of this amount, \$370,000 is committed to fund the cost of the refurbishment of a Tower Ladder Truck. This amount was financed through a Lease with Option to Purchase Agreement. Net of this amount, the restricted fund balance for future capital expenditures is \$16,117 which represents a decrease of \$53,271 from the prior year. This decrease related primarily to costs associated with the rescue truck re-build.
- At December 31, 2011, the restricted fund balance for Length of Service Awards was \$9,606, as compared with \$8,556 at December 31, 2010. This \$1,050 increase is the result of the actual award calculated being lower than the estimated amount included in the budget.

**Description of the Basic Financial Statements**

This report consists of the following parts: Management's discussion and analysis; the basic financial statements consisting of government-wide financial statements, and fund financial statements; notes to the financial statements; and required supplementary information.

The basic government-wide and fund financial statements present the financial results on different methods of accounting. Included in the financial statements are reconciliations that explain the difference between the two methods.

Government-wide financial statements are prepared on the accrual basis of accounting and economic resources focus. The required financial statements are: Statement of Net Assets (Exhibit A-1) and Statement of Activities (Exhibit A-2). The Statement of Net Assets reports all assets and liabilities with the difference between the two reported as net assets. The Statement of Activities reports all revenue and expenses during the year and how the net assets changed during the year.

Governmental funds financial statements are prepared on the modified accrual basis of accounting and current financial resources focus. This represents the traditional form of our financial statements. The required financial statements are: Balance Sheet (Exhibit B-1) and Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit B-3). The Balance Sheet shows only assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during or soon after the end of the year.

Reconciliation of the Governmental Fund Balance Sheet to the Government-Wide Statement of Net Assets (Exhibit B-2) explains the differences between the two statements. Exhibit B-4 details the reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Government Funds (Exhibit B-3) to the Statement of Activities (Exhibit A-2).

### **Governmental Funds**

All of the Board's activities are reported in governmental funds, which focus on how cash flows into and out of those funds and the balances left at year-end available for spending in future periods. This information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance firefighting services.

The Board maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital fund and the LOSAP fund each of which is considered a major fund.

### **Condensed Government-Wide Financial Data**

Unrestricted/Unassigned Current Assets	\$301,409
Assets Restricted for Specific Purposes	395,723
Capital Assets - Net of Accumulated Depreciation	<u>610,951</u>
Total Assets	<u>\$1,308,083</u>
Total Liabilities	<u>\$385,869</u>
Net Assets:	
Invested in Capital Assets	\$610,951
Unrestricted/Unassigned Net Assets – General Fund	268,455
Capital Fund	17,085
Restricted Net Assets - Capital Fund	16,117
LOSAP Fund	<u>9,606</u>
Total Net Assets	<u>\$922,214</u>
Total Liabilities and Net Assets	<u>\$1,308,083</u>



Total Expenses	\$ (393,183)
General Revenues:	
Property Taxes	439,422
Interest Income	1,908
Supplemental Fire Service	504
Miscellaneous	<u>2,601</u>
Change in Net Assets – Increase	<u>\$51,252</u>

### **Financial Analysis of the Board as a Whole**

The Board's net assets increased by \$51,252 for the fiscal year ended December 31, 2011 or approximately 5.9%, to a total of \$922,214. This increase was a result of a combination of \$217,271 of capital additions offset by expenses exceeding budgeted revenues and depreciation expense. Of the \$922,214 in net assets, \$301,409 represents unrestricted/unassigned cash.

### **Financial Analysis of the Board's Funds**

For the year ended December 31, 2011 governmental fund balances decreased by \$98,247 to \$311,263, a 24% decrease from the previous year's balance. The excess of budgeted expenditures over revenues, which resulted primarily from the Rescue Truck re-build, was the primary reason for the decrease.

### **Budgetary Highlights**

Total 2011 revenue of \$444,435, which is primarily from District Taxes, exceeded budgeted revenues by \$3,612 (approximately .8%). Although actual expenditures of \$542,682 for 2011 exceeded revenues, they were \$58,619 (or approximately 9.7%) less than the amount budgeted.

### **Capital Assets**

As of December 31, 2011, the Board has invested \$2,649,813 (\$610,951 net of accumulated depreciation) in a broad range of capital assets which includes the firehouse, fire-fighting equipment, and fire-fighting vehicles. In addition to the above, the Board is under contract for a \$370,000 refurbishment of a Tower Ladder Truck to be completed in 2012. This amount has been financed through a Lease with Option to Purchase Agreement.

### **Economic Factors and Next Year's Budget**

The Board's main source of revenue is property taxes. The budgeted amount to be received from taxation for the fiscal year ending December 31, 2012 is \$510,323. The 2012 budget was approved by the State of New Jersey, Division of Local Government services on December 21, 2011 and approved by district voters at the annual fire district election on February 18, 2012.

In addition to the amounts to be received from taxation, the Board will utilize approximately \$94,000 of unrestricted fund balance the 2012 budgeted expenditures.

### **Contacting the District's Financial Management**

This financial report is designed to provide a general overview of the Board's finances. Questions concerning any of the information contained in this report should be directed to the Board's office at 420 Smith Street, Keasbey, NJ 08832.

## Exhibit A-1

Keasbey Board of Fire Commissioners  
 Fire District No. 4  
 Woodbridge Township, NJ  
 Statement of Net Assets as of December 31, 2011

Assets

## Unrestricted Assets:

Cash		\$ 301,409
Total Unrestricted Assets		<u>301,409</u>

## Restricted Assets:

Cash restricted for Future Capital Expenditures (Notes 5 & 9)		386,117
Cash restricted for Future LOSAP Contributions (Note 6)		9,606
Capital Assets - Net (Note 4)		<u>610,951</u>
Total Restricted Assets		<u>1,006,674</u>

Total Assets		<u>\$ 1,308,083</u>
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Liabilities

Accounts Payable & Accrued Liabilities		\$ 6,820
Current Portion of Long Term Debt (Note 9)		46,590
Deferred Revenue		<u>9,049</u>
Total Current Liabilities		62,459

Long Term Debt (Note 9)		<u>323,410</u>
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Total Liabilities		<u>\$ 385,869</u>
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Net Assets

Investment in Capital Assets - Net of Accumulated Depreciation		\$ 610,951
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## Restricted Net Assets:

Restricted for Future Capital Expenditures (Note 5)	\$ 16,117	
Restricted for Length of Service Award Program (LOSAP) (Note 6)	<u>9,606</u>	25,723

## Unrestricted/Unassigned Net Assets:

General Fund	268,455	
Capital Fund	<u>17,085</u>	<u>285,540</u>

Total Net Assets		<u>\$ 922,214</u>
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The accompanying Notes to Financial Statements are an integral part of this statement.

## Exhibit A-2

Keasbey Board of Fire Commissioners  
 Fire District No. 4  
 Woodbridge Township, NJ  
 Statement of Activities for the year December 31, 2011

Expenses

## Operating Appropriations:

Administrative Expenses	\$ 76,688
Cost of Operations & Maintenance	224,206
Fringe Benefits	<u>9,567</u>
Total Operating Appropriations	310,461

## Depreciation

Total Operating Expenses	<u>67,772</u>
	378,233

Length of Service Award Program (LOSAP):  
 Transfer to Trustee (Note 6)

14,950

Total Expenses	<u>\$ 393,183</u>
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General Revenues

## District Taxes:

Operating & Maintenance	\$ 259,422
Capital Appropriations (Note 5)	164,000
Length of Service Award Program (Note 6)	<u>16,000</u>
	\$ 439,422

## Interest

1,908

## Supplemental Fire Service

504

## Miscellaneous

2,601

## Total General Revenues

\$ 444,435

## Increase in Net Assets

51,252

## Net Assets, January 1, 2011

870,962

## Net Assets, December 31, 2011

\$ 922,214

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

Exhibit B-1

Kearsbey Board of Fire Commissioners  
Fire District No. 4  
Woodbridge Township, NJ  
Governmental Funds  
Balance Sheet as of December 31, 2011

	General Fund	Capital Fund	LOSAP Fund	Total Governmental Funds
<u>Assets</u>				
Cash (Notes 5 & 9)	\$ 284,324	\$ 403,202	\$ 9,606	\$ 697,132
Other Assets	-	-	-	-
Total Assets	\$ 284,324	\$ 403,202	\$ 9,606	\$ 697,132
<u>Liabilities &amp; Fund Balances</u>				
<u>Liabilities</u>				
Accounts Payable & Accrued Liabilities	\$ 6,820	\$ -	\$ -	\$ 6,820
Deferred Revenue	9,049	-	-	9,049
Long Term Debt (Note 9)	-	370,000	-	370,000
Total Liabilities	15,869	370,000	-	385,869
<u>Fund Balances</u>				
Unrestricted / Unassigned	268,455	17,085	-	285,540
Restricted (Notes 5 & 6)	-	16,117	9,606	25,723
Total Fund Balances	268,455	33,202	9,606	311,263
Total Liabilities & Fund Balances	\$ 284,324	\$ 403,202	\$ 9,606	\$ 697,132

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

Exhibit B-2

Keasbey Board of Fire Commissioners  
 Fire District No. 4  
 Woodbridge Township, NJ  
 Reconciliation of the Governmental Balance Sheet  
 To the Government-Wide Statement of Net Assets  
 As of December 31, 2011

Total Fund Balances - Governmental Funds (Exhibit B-1)		\$	311,263
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.			
Total Historical Cost of Capital Assets	\$	2,649,813	
Less: Accumulated Depreciation		<u>2,038,862</u>	<u>610,951</u>
Total Net Assets (Exhibit A-1)		\$	<u>922,214</u>

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

Keasbey Board of Fire Commissioners  
 Fire District No. 4  
 Woodbridge Township, NJ  
 Statement of Revenues, Expenditures & Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended December 31, 2011

	General Fund	Capital Fund	LOSAP Fund	Total Governmental Funds
<u>Revenues &amp; Other Financing Sources</u>				
District Taxes	\$ 259,422	\$ 164,000	\$ 16,000	\$ 439,422
Interest Income	1,908	-	-	1,908
Supplemental Fire Service	504	-	-	504
Miscellaneous	2,601	-	-	2,601
Proceeds from Long Term Debt (Note 9)	-	370,000	-	370,000
Total Revenues & Other Financing Sources	264,435	534,000	16,000	814,435
<u>Expenditures &amp; Other Disbursements</u>				
Operating Appropriations:				
Administrative Expenses	76,688	-	-	76,688
Cost of Operations & Maintenance	224,206	-	-	224,206
Fringe Benefits	9,567	-	-	9,567
Total Operating Appropriations	310,461	-	-	310,461
Capital Expenditures:				
Transfer to Escrow Account for Refurbishment of Tower Ladder Truck (Notes 5 & 9)	-	370,000	-	370,000
Construction in Progress:				
Rescue Truck Re-build (Note 4)	-	217,271	-	217,271
Length of Service Award Program (LOSAP):				
Transfer to Trustee (Note 6)	-	-	14,950	14,950
Total Expenditures & Other Disbursements	310,461	587,271	14,950	912,682
Excess Revenues / (Expenditures)	(46,026)	(53,271)	1,050	(98,247)
Fund Balances, January 1, 2011	314,481	86,473	8,556	409,510
Fund Balances, December 31, 2011	268,455	33,202	9,606	311,263

Analysis of Fund Balance at December 31, 2011

	Restricted	Unrestricted/	Total
General Fund	\$ -	Unassigned	\$ 268,455
Capital Fund	16,117	\$ 268,455	\$ 284,572
LOSAP Fund	9,606	17,085	33,202
Totals	\$ 25,723	\$ 285,540	\$ 311,263

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

Keasbey Board of Fire Commissioners  
 Fire District No. 4  
 Woodbridge Township, NJ  
 Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balance to the Statement of Activities  
 For the year ended December 31, 2011

Net Change in Fund Balances - Governmental Funds (Excess of Expenditures over Revenues - Exhibit B-3)	\$ (98,247)
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Amounts reported in the Statement of Revenues, Expenditures  
 and Changes in Fund Balance are different from amounts  
 reported in the Statement of Activities (Exhibit A-2)  
 as follows:

Governmental Funds report Capital Outlays as expenditures.  
 However, in the Statement of Activities, the cost of those  
 assets are allocated over the estimated useful life as  
 depreciation expense.

Capital Expenditures for the current year	217,271
Depreciation expense for the current year	<u>(67,772)</u>

Increase in Net Assets of Governmental Activities (Exhibit A-2)	<u>\$ 51,252</u>
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The accompanying Notes to Financial Statements are an integral part of this statement.



**KEASBEY BOARD OF FIRE COMMISSIONERS  
FIRE DISTRICT NO. 4  
WOODBRIIDGE TOWNSHIP, NJ**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**1. General Information**

**Description of Reporting Entity**

The Keasbey Board of Fire Commissioners, Fire District No. 4 (Board or Fire District No. 4) is a political subdivision of Woodbridge Township, Middlesex County, New Jersey. Five elected commissioners oversee 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 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 locations.

The Keasbey Board of Fire Commissioners, Fire District No. 4 is not a component unit of any other financial reporting entity nor does the Fire District have any component units to be presented in accordance with Governmental Accounting Standards Board Statement No. 14.

**Board Officials**

The Keasbey Board of Fire Commissioners is governed by a board of five elected commissioners. The following is a listing of officials in office at December 31, 2011:

Dwayne Jensen – President  
Stephen Roman – Vice President  
Michael Hughes – Treasurer  
Robert Pawol – Secretary  
Martin Klose – Commissioner

**Accounting Records**

The official accounting records of the Board are maintained in the office of Keasbey Board of Fire Commissioners.

**Minutes**

Minutes were recorded for meetings and contained approvals for disbursements.

**2. Significant Accounting Policies**

The Board follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Statement No. 34 establishes certain reporting requirements that are designed to make governmental annual reports more comprehensive. Statement No. 34 also requires that management's discussion and analysis and an overview of the financial activities be presented before the financial statements as required supplementary information.

During 2010, the Board adopted GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

- a. **Basis of Accounting and Measurement Focus** - The accounts of the Board are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing

**KEASBEY BOARD OF FIRE COMMISSIONERS  
FIRE DISTRICT NO. 4  
WOODBIDGE TOWNSHIP, NJ**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**2. Significant Accounting Policies (continued):**

accounts, which include its assets, liabilities, fund equities, revenues and expenses or expenditures.

**b. Financial Statements**

**Government-Wide Financial Statements**

The Board's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental activities for the Board.

The basic financial statements are presented on an economic resources management focus and the accrual basis of accounting. Accordingly, all the Board's assets and liabilities, including capital assets, and long-term liabilities are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

**Governmental Fund Financial Statements**

The Board's Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net assets presented in the Government-Wide financial statements.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual are recognized when due. Expenditures are recorded in the accounting period in which the related fund liability is incurred. Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statement is provided to explain the differences created by the different measurement focus and basis of accounting.

Accordingly the Board accounts for its financial transactions through the use of the following funds and account groups when applicable:

**Governmental Funds:**

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

**KEASBEY BOARD OF FIRE COMMISSIONERS  
FIRE DISTRICT NO. 4  
WOODBRIIDGE TOWNSHIP, NJ**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**2. Significant Accounting Policies (continued):**

**Capital Fund** – The Capital 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 firefighting apparatus. Generally, the financial resources of the Capital Fund are derived from the issuance of debt or by the reservation of fund balance, which must be authorized by the voters either during the annual election or at a special election.

**Length of Service Award Programs (LOSAP) Fund** - The LOSAP Fund represents the excess of amounts received from taxation for LOSAP awards over the actual award calculated. Also refer to Note 6.

**Budgets and Budgetary Accounting**

The Board must adopt an annual budget in accordance with *N.J.S.A.40A:14-78 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 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:4-78.3*. 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 approval by District voters at the annual election.

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 (Board's) basic financial statements.

**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, if any, 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.

**Cash, Cash Equivalents and Investments** – Cash and cash equivalents include petty cash, change funds, and cash in banks. All certificates of deposit are recorded as cash regardless of the date of maturity. Fire Districts are required by *N.J.S.A.40A:5-14* to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States.

The Governmental Unit Deposit Protection Act, P.L. 1970, Chapter 236, was passed to afford protection against bankruptcy or default by a depository. C.17:9-42 provides that no governmental unit shall deposit funds in a public depository unless such funds are secured in accordance with this act. C.17:9-44 provides that every public depository having public funds on deposit shall, as security for such deposits, maintain eligible collateral having a market value at least equal to either (1) 5% of the average daily balance of collected public funds on deposit during the 6 month period ending on the next preceding valuation date (June 30 or December 31) or (2) at the election of the depository, at least equal to 5% of the average balance of collected public funds on deposit on the first, eighth, fifteenth, and twenty-second days of each

**KEASBEY BOARD OF FIRE COMMISSIONERS  
FIRE DISTRICT NO. 4  
WOODBIDGE TOWNSHIP, NJ**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**2. Significant Accounting Policies (continued):**

month in the 6-month period ending on the next preceding valuation date (June 30 or December 31). No public depository shall be required to maintain any eligible collateral pursuant to this act as security for any deposit or deposits of any governmental unit to the extent such deposits are insured by F.D.I.C. or F.S.L.I.C. or any other U.S. agency which insures public depository funds.

No public depository shall at any time receive and hold on deposit for any period in excess of 15 days public funds of a governmental unit(s) which, in the aggregate, exceed 75% of the capital funds of the depository, unless such depository shall, in addition to the security required to be maintained under the paragraph above, secure such excess by eligible collateral with a market value at least equal to 100% of such excess.

**Inventories and Prepaid Expenses** – Inventories and prepaid expenses, which benefit future periods, are recorded as an expenditure during the year of purchase.

**Amounts Received from Taxation** – Upon the proper certification to the assessor of the municipality in which the Fire District is located, the assessor shall assess the amount of taxes to be raised in support of the Fire District's budget in the same manner as all other municipal taxes. The collector or treasurer or municipality shall then pay over to the treasurer or custodian of funds of the Fire District the taxes assessed in accordance with an established schedule.

**Capital Assets** – Capital assets which include land, building, improvements and firefighting vehicles and equipment are reported in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building & Improvements	10 to 30 years
Fire Fighting Vehicles & Equipment	5 to 20 years
Furniture & Fixtures	3 to 5 years

**Inventory, Materials, and Supplies** – The inventory on hand at any time is immaterial. Accordingly, purchases are charged directly to fixed assets or to maintenance costs, as applicable.

**Deferred Revenue** – In 1997, the Board received a portion of the 1998 Revenue from District Taxes in advance. This amount, \$9,049 remained outstanding at December 31, 2011 and is reflected on the Statement of Net Assets and the Balance Sheet as deferred revenue.

**Restricted Fund Balance** – Restricted fund balances represent the amount of the fund balance not available for general expenditure or amounts legally segregated for a specific future use.

**Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Unrealized Gains and Losses** – Governmental Accounting Standards Board (GASB) has established GSAB-31, which requires public agencies to report the financial effect of all unrealized gains and losses on invested funds. As of December 31, 2011, there were no unrealized gains or losses on invested funds.

**KEASBEY BOARD OF FIRE COMMISSIONERS  
FIRE DISTRICT NO. 4  
WOODBRIIDGE TOWNSHIP, NJ**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2011**

**3. Property Tax Levies**

Following is a tabulation of Fire District assessed valuation, tax levies and property tax rates per \$100 of assessed valuations for the current and preceding four years:

Year	Assessed Valuations	Total Tax Levy	Property Tax Rates
2011	\$74,465,300	\$439,422	\$0.553
2010	74,383,500	420,533	0.565
2009	74,383,500	404,533	0.540
2008	75,873,800	388,974	0.510
2007	73,676,700	388,998	0.510

**4. Capital Assets**

Capital assets as of December 31, 2011 consisted of the following:

Land	\$ 60,000
Buildings & Improvements	661,482
Firefighting Vehicles & Equipment	1,671,196
Furniture & Fixtures	39,864
Construction in Progress	<u>217,271</u>
Sub - Total	2,649,813
Less: Accumulated Depreciation	<u>(2,038,862)</u>
Capital Assets - Net	<u>\$610,951</u>

In December, 2011, the Board entered into an agreement to re-build its rescue truck for a total cost of approximately \$250,000. The \$217,271 reported as Construction in Progress represents the down payment for this re-build.

**5. Capital Outlays / Restricted Funds Balances**

In 2011, Capital Appropriations Received from District Taxes in the amount of \$164,000 was received. This amount represents the estimated cost of 2011 equipment upgrades & partial funding for the future purchase of fire apparatus. As of December 31, 2011, the total amount the Board has available for future purchase is \$16,117. This amount is reflected as a restricted fund balance in the Capital Fund.

As further discussed in Note 9, in November, 2011 the Board entered into a Lease with Option to Purchase Agreement (Agreement) to fund the refurbishment of a Tower Ladder Truck( Equipment). The total amount borrowed was \$370,000. This amount is restricted for the refurbishment and is being held in an "internal escrow" account with the assignee of the Agreement pending confirmation from the Board that the Equipment has been delivered and accepted and that payment can be remitted to the vendor. Per the escrow agreement, any interest earned on the escrow amount will be paid to the assignee in consideration of managing the internal escrow account.

**KEASBEY BOARD OF FIRE COMMISSIONERS  
FIRE DISTRICT NO. 4  
WOODBIDGE TOWNSHIP, NJ**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**6. Length of Service Award Program (LOSAP) (continued):**

During 1999, a Length of Service Award Program (LOSAP) was established to benefit eligible members of Fire District No. 4. LOSAP is a benefit plan, which provides tax-deferred income to members of volunteer emergency organizations such as Fire District No. 4.

The administration, vesting and benefit distribution requirements of LOSAP are governed by New Jersey Statute P.L. 1998, C.388.

To be eligible for the annual award, the volunteer member must respond to a minimum of 20% of fire calls during the 12-month period beginning December and ending November of the following year. The maximum annual amount (\$1,150 in 2011) is awarded to those volunteer members who responded to at least 40% of the fire calls during the 12-month period.

Effective December 10, 2001, the Board retained Lincoln National Life Insurance Company (Lincoln or Trustee) to manage the LOSAP funds. Annually, the Board calculates the award for each volunteer member based on the eligibility requirements and transfers this amount to Lincoln for the benefit of each member.

Once transferred, the Board relinquishes control of the funds and the member directs Lincoln regarding control of the funds and investment options. For 2011, the actual LOSAP award as calculated by the Board amounted to \$14,950.

During 2011, The Board received \$16,000 in Amounts Received from Taxation (i.e. District Taxes) restricted for LOSAP awards. The excess of Amounts Received from Taxation over the actual award calculation is retained by the Board in a separate fund restricted for this purpose. Similarly, if the calculated award exceeds the Amount Received from Taxation, this amount will be funded from the LOSAP reserved fund. At December 31, 2011, the LOSAP reserved fund balance was \$9,606.

If a volunteer member discontinues service to the Fire District prior to the vesting period, all amounts contributed to the fund on their behalf are forfeited. The amounts forfeited (Forfeitures) are returned by the Trustee and credited to the LOSAP reserved fund balance. During 2011, there were no Forfeitures.

**7. Related Party Transactions**

The President of the Board of Fire Commissioners is affiliated with the company that the Board has retained to perform landscaping and other services on the grounds of the firehouse. This arrangement existed before this individual was elected to the Board and has been an approved service each year since his election. The Board is seeking an advisory opinion from legal counsel regarding the propriety of this arrangement and will act accordingly based on this opinion when received.

For the year ended December 31, 2011, the amount paid for these services represents approximately 2% of the Amounts Received from Taxation.

**8. Change in Accounting Principle and Restatement of Fund Balance**

During 2004, the Board adopted GASB Statement No. 34. This change in accounting principle required restatement of the January 1, 2004 beginning Net Assets Balance as follows:

Net Assets Balance at December 31, 2003 as previously reported	\$537,765
Adjustment to reflect the Investment in Capital Assets, Net of Accumulated Depreciation	<u>570,917</u>
January 1, 2004 Net Assets balance as restated	<u>\$1,108,682</u>

**KEASBEY BOARD OF FIRE COMMISSIONERS  
FIRE DISTRICT NO. 4  
WOODBRIIDGE TOWNSHIP, NJ**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**9. Debt and Debt Service Obligations**

On March 15, 2011, Fire District No. 4 held a special election in which voters approved a resolution allowing the Board to refurbish a Tower Ladder Truck (Equipment) to be funded through a lease/purchase agreement for an amount not to exceed \$370,000.

Based on evaluation of solicited sealed bids, the Board awarded the contract to refurbish the Equipment in September, 2011.

In November of 2011, The Board entered into a Lease with Option to Purchase Agreement (Agreement) for the \$370,000 estimated cost of the refurbishment at a Nominal Annual Rate of 4.18%. This Agreement was assigned by the Lessor in December 2011.

Delivery of and payment for the refurbished equipment is expected during 2012.

As referenced in Note 5, the amount borrowed is being held in an "internal escrow" by the assignee pending confirmation from the Board that the Equipment has been delivered and accepted and that payment can be remitted to the vendor.

Following is the Board's debt service obligations under this agreement:

<u>Due Date</u>	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Outstanding Balance</u>
Beginning Balance	\$ -	\$ -	\$ -	\$370,000
November, 2012	62,056	46,590	15,466	323,410
November, 2013	62,056	48,538	13,518	274,872
November, 2014	62,056	50,567	11,489	224,305
November, 2015	62,056	52,680	9,376	171,625
November, 2016	62,056	54,882	7,174	116,743
November, 2017	62,056	57,176	4,880	59,567
November, 2018	62,056	59,567	2,489	-- 0 --

The Board had no other debt or debt service obligations as of December 31, 2011.

**10. Risk Management**

The Board is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to volunteer members; and natural disasters. The Board maintains commercial insurance coverage to mitigate these risks.

Keasbey Board of Fire Commissioners  
 Fire District No. 4  
 Woodbridge Township, NJ  
 Statement of Revenues, Expenditures & Changes in Fund Balances  
 General Fund  
 For the Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable)</u>
<b>Revenues and Other Financing Sources</b>				
District Taxes: Operating & Maintenance	\$ 259,422	\$ 259,422	\$ 259,422	\$ -
Other Financing Sources:				
Interest	1,000	1,000	1,908	908
Supplemental Fire Service	401	401	504	103
Miscellaneous	-	-	2,601	2,601
Total Revenues & Financing	\$ 260,823	\$ 260,823	\$ 264,435	\$ 3,612
<b>Operating Appropriations</b>				
Administration				
Salary & Wages				
Commissioners	\$ 13,200	\$ 13,200	\$ 13,200	\$ -
President	6,600	6,600	6,600	-
Treasurer	6,600	6,600	6,600	-
Secretary	6,600	6,600	6,600	-
Total	33,000	33,000	33,000	-
Other Administration				
Elections	2,000	2,000	945	-
Professional Services	24,500	38,000	37,743	1,055
Mutual Services - Joint Board	5,000	5,000	5,000	257
State Supplemental Funds	401	-	-	-
Total	31,901	45,000	43,688	1,312
Total Administration	64,901	78,000	76,688	1,312
Operating & Maintenance				
Salary & Wages				
Janitor	6,000	6,100	6,075	25
Fire Prevention	5,000	2,000	395	1,605
Total	11,000	8,100	6,470	1,630
Other Operating & Maintenance				
Insurance & Utilities	75,500	66,200	59,291	6,909
Fire Equipment / Vehicle Maintenance & Repair	125,000	125,000	34,005	90,995
Supplies & Training	27,500	12,500	6,974	5,526
Facilities Maintenance & Repair	46,000	32,801	14,545	18,256
Hydrant Service & Dispatch	88,000	84,300	84,087	213
Fire Protection Service Agreement	20,000	20,000	18,834	1,166
Total	382,000	340,801	217,736	123,065
Total Operating & Maintenance	393,000	348,901	224,206	124,695
Fringe Benefits				
Group Life & Health Insurance	18,400	14,400	9,567	4,833
Total Operating Appropriations	\$ 476,301	\$ 441,301	\$ 310,461	\$ 130,840
Excess Revenues / (Expenditures)	(215,478)	(180,478)	(46,026)	134,452
Unrestricted/Unassigned Fund Balance, January 1, 2011	314,481	314,481	314,481	-
Unrestricted/Unassigned Fund Balance, December 31, 2011	\$ 99,003	\$ 134,003	\$ 268,455	\$ 134,452



Keasbey Board of Fire Commissioners  
 Fire District No. 4  
 Woodbridge Township, NJ  
 Statement of Revenues, Expenditures & Changes in Fund Balances  
 Capital Fund  
 For the Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable)</u>
<b>Revenues and Other Financing Sources</b>				
District Taxes: Capital Appropriations	\$ 164,000	\$ 164,000	\$ 164,000	\$ -
Other Financing Sources:				
Proceeds from Long Term Debt	<u>-</u>	<u>-</u>	<u>370,000</u>	<u>370,000</u>
Total Revenues & Financing Sources	<u>\$ 164,000</u>	<u>\$ 164,000</u>	<u>\$ 534,000</u>	<u>\$ 370,000</u>
<b>Expenses and Other Disbursements</b>				
Transfer to Escrow Account for Refurbishment of Tower Ladder Truck	<u>-</u>	<u>-</u>	<u>370,000</u>	<u>(370,000)</u>
Rescue Truck Re-build	<u>109,000</u>	<u>144,000</u>	<u>217,271</u>	<u>(73,271)</u>
Total Expenses & Other Disbursements	<u>109,000</u>	<u>144,000</u>	<u>587,271</u>	<u>(443,271)</u>
Excess Revenues / (Expenditures)	55,000	20,000	(53,271)	(73,271)
Fund Balance, January 1, 2011	<u>86,473</u>	<u>86,473</u>	<u>86,473</u>	<u>-</u>
Fund Balance, December 31, 2011	<u>\$ 141,473</u>	<u>\$ 106,473</u>	<u>\$ 33,202</u>	<u>\$ (73,271)</u>

**Analysis of Fund Balance**

	<u>Restricted</u>	<u>Unrestricted/ Unassigned</u>	<u>Total</u>
Fund Balance, January 1, 2011	\$ 69,388	\$ 17,085	\$ 86,473
Excess Revenues / (Expenditures)	<u>(53,271)</u>	<u>-</u>	<u>(53,271)</u>
Fund Balance, December 31, 2011	<u>\$ 16,117</u>	<u>\$ 17,085</u>	<u>\$ 33,202</u>

Keasbey Board of Fire Commissioners  
 Fire District No. 4  
 Woodbridge Township, NJ  
 Statement of Revenues, Expenditures & Changes in Fund Balances  
 Length of Service Award Program (LOSAP) Fund  
 For the Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable)</u>
<b>Revenues and Other Financing Sources</b>				
District Taxes: Capital Appropriations	\$ 16,000	\$ 16,000	\$ 16,000	\$ -
Other Financing Sources:				
Forfeitures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues & Financing	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ -</u>
<b>Expenses and Other Disbursements</b>				
Transfer to Trustee	<u>16,000</u>	<u>16,000</u>	<u>14,950</u>	<u>1,050</u>
Total Expenses & Other Disbursements	<u>16,000</u>	<u>16,000</u>	<u>14,950</u>	<u>1,050</u>
Excess Revenues / (Expenditures)	-	-	1,050	1,050
Restricted Fund balance, January 1, 2011	<u>8,556</u>	<u>8,556</u>	<u>8,556</u>	<u>-</u>
Restricted Fund Balance, December 31, 2011	<u>\$ 8,556</u>	<u>\$ 8,556</u>	<u>\$ 9,606</u>	<u>\$ 1,050</u>

**Chris J. Vecchiarelli CPA**

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**Telephone (856) 874 – 1687**

May 10, 2012

Keasbey Board of Fire Commissioners  
Fire District No. 4  
Woodbridge Township, NJ

I have audited the financial statements of the Keasbey Board of Fire Commissioners, Fire District No. 4, Woodbridge Township, NJ (Keasbey Board of Fire Commissioners or Board) as of and for the year ended December 31, 2011, and have issued my report thereon dated May 10, 2012. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, I am required to report any General Comments and Recommendations for the year then ended.

Following are the comments and recommendations resulting from my audit.

**1. Recording Transactions Material to the Financial Statements**

Neither the \$370,000 escrow balance nor the \$370,000 lease liability were recorded in the Board's accounting records and financial statements nor was this transaction reported in the minutes of the Board meetings. Since these amounts are considered to be material to the Board's financial statements I consider this to be a material weakness involving the internal control over financial reporting.

It is recommended that the Board maintain a closer working relationship with its accountant and attorney when it relates to significant financial decisions and transactions to ensure that the Board's books and records are not materially misstated. In addition, all significant financial decisions and transactions should be discussed at Board meetings and recorded as part of the meeting minutes.

## **2. Accounts Payable Processing**

In my review of accounts payable processing, several instances were noted where:

- a) The only documentation to support the disbursement was an approved voucher (i.e. no vendor receipts).
- b) The voucher supporting the disbursement did not contain the appropriate approvals.
- c) The voucher contained only one Board member approval.

It is recommended that:

- a) In addition to the approved "Voucher" each disbursement should be supported by a vendor receipt or some notation made why a receipt is not available.
- b) All vouchers contain the appropriate approvals.
- c) That each voucher contain the approval of at least two Board members.

## **3. Risk Management**

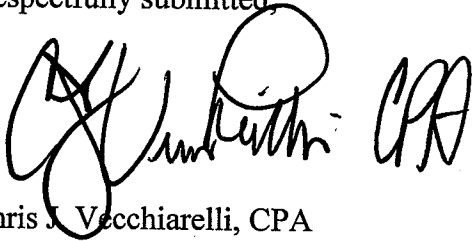
- a) The Board maintains a Position Schedule Bond (i.e. surety bond) covering the President, Vice President & Treasurer to mitigate the risk of loss. It is recommended that the surety bond coverage be expanded to include all members of the Board at amounts commensurate to the related risk.
- b) The Group Insurance Policy lists Protection Fire Company No. 1 of Keasbey, NJ as the policy holder/owner and not the Board. It is recommended that the policy holder/owner name be changed to reflect the Board as the policy holder/owner. In addition, all policies should be reviewed to ensure that the Board is the named policy holder/owner.
- c) It is also recommended that the Board review its overall insurance coverage annually to ensure that adequate coverage is in place.

## **4. Capital Assets**

- a) The Board does not have an updated Capital Asset listing. It is recommended that the Board conduct a physical count of all capital assets and prepare a list which includes a description of the asset, date of acquisition and historical cost.
- b) Using the above listing as a basis, the Board should prepare a schedule of asset depreciation.

This reported is intended solely for the use of the Keasbey Board of Fire Commissioners and the Division of Local Government Services, Department of Community Affairs, State of NJ and should not be used for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Chris J. Vecchiarelli CPA". The signature is stylized with large, flowing loops and a prominent "C" at the beginning. The letters "CPA" are written in a more standard, blocky font to the right of the main signature.

Chris J. Vecchiarelli, CPA