

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

REPORT OF AUDIT

DECEMBER 31, 2011

**FIRE DISTRICT NO. 3
TOWNSHIP OF EAST BRUNSWICK, NEW JERSEY
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FIRE DISTRICT #3
TOWNSHIP OF EAST BRUNSWICK, NEW JERSEY
2012 OFFICIALS IN OFFICE AND SURETY BONDS

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

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

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Township of East Brunswick Fire District #3, in the County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2011, which collectively comprise the Fire District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of East Brunswick Fire District #3's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 10, the Fire District has implemented a new financial reporting model, as required by the provisions of GASB Statement #34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of December 31, 2011.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Township of East Brunswick Fire District #3, in the County of Middlesex, State of New Jersey as of December 31, 2011, and the respective changes in financial

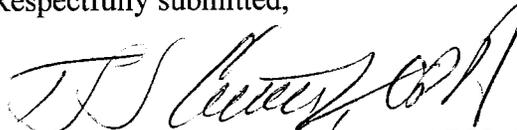
position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 30, 2012 on our consideration of the Township of East Brunswick Fire District #3's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

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

Respectfully submitted,



BONAMICI, COLLETTI, SOLITARIO & TIERNEY
CERTIFIED PUBLIC ACCOUNTANTS

MAY 30, 2012
SPOTSWOOD, NJ



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

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

We have audited the financial statements of the governmental activities and each major fund of the Township of East Brunswick Fire District #3, in the County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2011 and have issued our report thereon dated May 30, 2012, 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, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, State of New Jersey.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of East Brunswick Fire District #3's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards, and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, State of New Jersey.

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

Respectfully submitted,



BONAMICI, COLLETTI, SOLITARIO & TIERNEY
CERTIFIED PUBLIC ACCOUNTANTS

MAY 30, 2012
SPOTSWOOD, NJ

REQUIRED SUPPLEMENTARY INFORMATION
PART I

**TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

As management of the East Brunswick Township Fire District No. 3, we offer readers of the East Brunswick Township Fire District No. 3 financial statements this narrative overview and analysis of the financial activities of the East Brunswick Township Fire District No. 3 for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the Township of East Brunswick Fire District No. 3 financial performance as a whole. Readers should also review the information furnished in the notes to the basic financial statements along with the financial statements to enhance their understanding of the East Brunswick Township Fire District No. 3's financial performance.

Financial Highlights

- The assets of East Brunswick Township Fire District No. 3 exceeded its liabilities at the close of the most recent year by \$385,730 (Net Assets).
- As of the close of the current year, the East Brunswick Township Fire District No. 3's governmental funds reported combined ending fund balances of \$501,048, an increase of \$14,450 in comparison with the prior year.
- At the end of the current year, the reserved fund balance for the capital fund was \$163,400, approximately a 1 percent increase from the prior year.
- At the end of the current year, unreserved fund balance for the general fund was \$206,097 approximately a 6 percent increase from the prior year.

Overview of Financial Statements

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

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

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

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

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

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

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

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

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

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

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

District-wide Financial Analysis

As noted earlier, the net assets may serve over time as a useful indicator of a government's financial position. In the case of East Brunswick Township Fire District No. 3 assets exceeded liabilities by \$385,730 at the close of the most recent year.

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

Statement of Net Assets

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 3
NET ASSETS
DECEMBER 31, 2011

CURRENT AND OTHER ASSETS	\$	656,166
CAPITAL ASSETS		<u>335,563</u>
TOTAL ASSETS	\$	991,729
LONG-TERM LIABILITIES OUTSTANDING	\$	456,000
OTHER LIABILITIES		<u>149,999</u>
TOTAL LIABILITIES	\$	<u>605,999</u>
NET ASSETS	\$	<u><u>385,730</u></u>

ANALYSIS OF NET ASSETS

INVESTED IN CAPITAL ASSETS NET OF RELATED DEBT	\$ (120,437)
DESIGNATED FOR DEBT SERVICE	131,551
RESTRICTED FOR CAPITAL PROJECTS	163,400
UNRESTRICTED	<u>211,216</u>
TOTAL NET ASSETS	\$ <u>385,730</u>

An additional portion of the East Brunswick Township Fire District No. 3's net assets (76 percent) represents resources that are subject to external restrictions on how they may be used.

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

Expenses

Operating Expenses:	
Administration	\$ 20,106
Cost of Operations and Maintenance	525,655
LOSAP Contribution	45,000
Capital Appropriations	0
Interest on Long Term Debt	<u>3,449</u>
Total Program Expenses	\$ 594,210
Program Revenues:	
Operating Grants & Contributions	\$ <u>1,889</u>
Net Program Expenses	\$ 592,321

General Revenues

Taxes:	
Property Taxes, Levied for General Purposes	\$ 485,400
Taxes Levied for Debt Service	117,449
Unrestricted Investment Earnings	2,352
Miscellaneous Income	<u>500</u>
Total General Revenues	\$ <u>605,701</u>

Increase in Net Assets	\$	13,380
Net Assets, January 1	\$	368,426
Prior Period Adjustment		<u>3,924</u>
Net Assets, December 31	\$	<u>385,730</u>

Property taxes constituted 99% of revenues for government activities for the Fire District for the year 2011.

Cost of Operations and Maintenance comprises 89% of fire district expenses, with administration comprising 3%.

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

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

As of the end of the current year, the East Brunswick Township Fire District No. 3's governmental funds reported combined ending fund balances of \$501,048, an increase of \$14,450 in comparison with the prior year.

Of the combined ending fund balances of \$501,048, the unreserved fund balance constituted \$206,097. Of the unreserved fund balance, \$10,000 has been utilized in the 2012 budget for East Brunswick Township Fire District No. 3. A portion of fund balance in the amount of \$163,400 is reserved to indicate that it is not available for new spending during 2012 because it is committed to planned future capital outlays that are subject to the approval of the voters of the East Brunswick Township Fire District No. 3.

The general fund is the main operating fund of the East Brunswick Township Fire District No. 3. At the end of the current year, unreserved fund balance of the general fund was \$206,097, while the total fund balance was \$501,048.

The capital projects fund had a fund balance of \$163,400 at the end of the current year. There was an increase in this balance during the current period of \$1,927.

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

General Fund Budgetary Highlights

During the course of the 2011-year the East Brunswick Township Fire District No. 3 modified its general fund budget in conformance with statute.

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

The final budgetary basis revenue estimate was \$619,983. The original budgetary estimate was the same.

During the year 2011, the East Brunswick Township Fire District No. 3 budgeted \$602,849 for property taxes (local tax levy) and \$1,534 for state aid revenues (supplemental fire services grant).

The final budgetary basis expenditures appropriation estimate was \$619,983. The original budgetary estimate was the same.

Capital Assets and Debt Administration.

The East Brunswick Township Fire District No. 3's investment in capital assets for its governmental activities as of December 31, 2011 amounts to \$335,563 (net of accumulated depreciation). This investment in capital assets includes vehicles and firefighting equipment. East Brunswick Township Fire District No. 3 purchased firefighting equipment in the amount of \$23,206 during 2011.

At the end of 2011 the East Brunswick Township Fire District No. 3 had \$1,763,372 invested in vehicles and firefighting equipment. The accumulated depreciation on these items was \$1,427,809.

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 3 CAPITAL ASSETS DECEMBER 31, 2011

VEHICLES	\$ 1,559,223
FIREFIGHTING EQUIPMENT	<u>204,149</u>
TOTAL CAPITAL ASSETS	\$ <u>1,763,372</u>

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

Long-Term Obligations

For the 2011 year, the East Brunswick Township Fire District No. 3 had an Inter-Local Service Agreement with the Township of East Brunswick with a principal balance of \$570,000. This obligation was for the purchase of a 2009 Pierce Pumper. It will be repaid within five years with the first payment being due April 2011.

Economic Factors and Next Years Budget

For the 2011 year the East Brunswick Township Fire District No. 3 was able to sustain its budget through the district tax levy and other sources of revenue. Approximately 99 percent of total revenue is from the local tax levy, while the remainder is from other sources.

The Board of Fire Commissioners adopted the 2012 budget January 10, 2012 and the voters subsequently approved the budget at the annual fire district election held on February 18, 2012.

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3**STATEMENT OF NET ASSETS
DECEMBER 31, 2011****ASSETS:**

Cash and Cash Equivalents	\$462,657
Accounts Receivable	188,390
Prepaid Expenses	5,119
Capital Assets, net (Note 5)	<u>335,563</u>
Total Assets	\$991,729

LIABILITIES:

Accounts Payable	\$149,999
Noncurrent Liabilities (Note 6)	
Due within One Year	114,000
Due beyond One Year	<u>342,000</u>
Total Liabilities	\$605,999

NET ASSETS:

Invested in Capital assets, Net of Related debt.	(\$120,437)
Designated for Debt Service	131,551
Restricted for:	
Capital Projects	163,400
General	0
Unrestricted:	
General	211,216
Capital	<u>0</u>
Total Net Assets	<u>\$385,730</u>

See accompanying Accountant's Report and Notes.

TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2011

Expenses:	
Operating Appropriations:	
Administration	\$20,106
Cost of Operations and Maintenance	525,655
Length of Service Award Program (LOSAP)-	
Contribution (P.L. 1997, c. 388)	45,000
Capital Appropriations	
Fire Apparatus	0
Interest on Long-Term Debt	<u>3,449</u>
 Total Program Expenses	 \$594,210
 Program Revenues:	
Charges for Services	\$0
Operating Grants and Contributions	<u>1,889</u>
 Net Program Expenses	 \$592,321
 General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	\$485,400
Taxes Levied for Debt Service	117,449
Unrestricted Investment Earnings	2,352
Miscellaneous Income	<u>500</u>
 Total General Revenues	 <u>\$605,701</u>
 Increase in Net Assets	 \$13,380
 Net Assets, January 1 (Note 10)	 368,426
Prior Period Adjustment	<u>3,924</u>
Net Assets, December 31	<u>\$385,730</u>

See accompanying Accountant's Report and Notes.

FUND FINANCIAL STATEMENTS

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

<u>ASSETS</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Cash	\$167,706		\$131,551	\$163,400	\$462,657
Due from Twp. of E. Brunswick	<u>188,390</u>	---	---	<u>0</u>	<u>188,390</u>
Total Assets	<u>\$356,096</u>	<u>---</u>	<u>\$131,551</u>	<u>\$163,400</u>	<u>\$651,047</u>
 LIABILITIES AND FUND BALANCES:					
 <u>LIABILITIES:</u>					
Accounts Payable	<u>\$149,999</u>				<u>\$149,999</u>
Total Liabilities	\$149,999	---	---	---	\$149,999
 <u>FUND BALANCES:</u>					
Designated for Debt Service Reserved:			\$131,551		\$131,551
Future Capital Outlay				\$163,400	163,400
Unreserved:					
General	<u>\$206,097</u>	---	---	---	<u>206,097</u>
Total Fund Balances	<u>\$206,097</u>	<u>---</u>	<u>\$131,551</u>	<u>\$163,400</u>	\$501,048
Total Liabilities and Fund Balances	<u>\$356,096</u>	<u>---</u>	<u>\$131,551</u>	<u>\$163,400</u>	

See accompanying Accountant's Report and Notes

**EAST BRUNSWICK TOWNSHIP FIRE DISTRICT #3
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

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.

\$ 5,119

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$1,763,372 and the accumulated depreciation is \$1,427,809.

335,563

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.

(456,000)

Net assets of governmental activities

\$385,730

See accompany Accountant's Report and Notes

EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 3

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:					
Interest	\$425			\$1,927	\$2,352
Operating Grant Revenue	1,889				1,889
Fund Balance Appropriated	15,000				15,000
Amount to be Raised by Taxation to Support the District Budget	<u>485,400</u>	---	<u>\$117,449</u>	<u>0</u>	<u>602,849</u>
Total Revenues	\$502,714	---	\$117,449	\$1,927	\$622,090
EXPENDITURES:					
Operating Appropriations:					
Operating & Administration	\$20,106				\$20,106
Operations & Maintenance	459,509				459,509
Capital Appropriations	0				0
Debt Service	<u>0</u>	---	<u>\$117,449</u>	---	<u>117,449</u>
Total Expenditures	<u>\$479,615</u>	---	<u>\$117,449</u>	<u>\$0</u>	<u>\$597,064</u>
Excess of Revenues Over Expend.	\$23,099	---	\$0	\$1,927	\$25,026
Other Financing Sources (Uses):					
Misc. Revenue Not Anticipated	\$500				\$500
Designated for Inter-Local Agrmt					0
Reserve for Future Capital Outlay	---	---	---	<u>0</u>	<u>0</u>
Other Financing Sources (Uses)	<u>\$500</u>	---	<u>\$0</u>	<u>\$0</u>	<u>\$500</u>
Excess of Rev\Other Financing Sources Over Expenditures\Other Financing Uses	\$23,599	---	\$0	\$1,927	\$25,526
Fund Balances, January 1, 2011	193,574		131,551	161,473	486,598
Utilization of Fund Balance	(15,000)				(15,000)
Adjustment to Fund Balance	<u>3,924</u>	---	---	---	<u>3,924</u>
Fund Balances, December 31, 2011	<u>\$206,097</u>	---	<u>\$131,551</u>	<u>\$163,400</u>	<u>\$501,048</u>

See Accompanying Accountant's Report and Notes

**EAST BRUNSWICK TOWNSHIP FIRE DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Total Net Change in Fund Balances - Governmental Funds	\$ 25,526
Amounts reported for governmental activities in the statement of activities (A-2) are different because:	
Utilization of Unrestricted Funds	(15,000)
<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>	
Depreciation Expense	(133,839)
Capital Outlay	23,206
<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>	114,000
<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>	(513)
Change in Net Assets of Governmental Activities	<u>\$ 13,380</u>

See accompanying Accountant's Report and Notes

NOTES TO THE FINANCIAL STATEMENTS

TOWNSHIP OF EAST BRUNSWICK FIRE DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Component Units - GASB Statement No. 14, The Financial Reporting Entity, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units. As of December 31, 2011, it has been determined by the Fire District that no component units exist.

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

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

District-wide Financial Statements - The Statement of Net Assets and the Statement of Activities display information about the Fire District as a whole. These statements include the financial activities of the government. The Statement of Net Assets presents the financial condition of the governmental activities of the

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

District-wide Financial Statements (Cont'd)

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

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

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

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

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

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

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities such as fire houses and fire fighting apparatus. Generally, the financial resources of the Capital Projects Fund are derived from the issuance of debt or by the reservation of fund balance, which must be authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

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

Measurement Focus

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

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

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

Revenues - Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a