
DELRAN TOWNSHIP FIRE DISTRICT #1

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

(With Independent Auditor's Report Theron)

DELRAN TOWNSHIP FIRE DISTRICT #1

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DELRAN TOWNSHIP FIRE DISTRICT #1

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2012



HOLMAN | FRENIA
ALLISON, P.C.
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INDEPENDENT AUDITOR'S REPORT

Delran Township Board of Fire Commissioners
Fire District #1
Delran, New Jersey 08075

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of each major fund and the aggregate remaining fund information of the Delran Township Fire District #1, County of Burlington, State of New Jersey, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and 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 standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of each major fund and the aggregate remaining fund information of the Delran Township Fire District #1, County of Burlington, State of New Jersey, as of December 31, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 8, and 37 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The long-term debt schedule of serial bonds payable and long-term debt schedule of obligations under capital leases are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the long-term debt schedule of serial bonds payable and long-term debt schedule of obligations under capital leases are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2013 on our consideration of the Delran Township Fire District #1's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Delran Township Fire District #1's internal control over financial reporting and compliance.

Holman Frenia Allison P.C.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

March 29, 2013
Medford, New Jersey



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**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**

Delran Township Board of Fire Commissioners
Fire District #1
Delran, New Jersey 08077

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities and the aggregate remaining fund information of Delran Township Fire District #1, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Delran Township Fire District #1's basic financial statements, and have issued our report thereon dated March 29, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Delran Township Fire District #1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Delran Township Fire District #1's internal control. Accordingly, we do not express an opinion on the effectiveness of Delran Township Fire District #1's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Delran Township Fire District #1's financial statements are free from 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Holman Frenia Allison P.C.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

March 29, 2013
Medford, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION - PART 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED

The District provides fire protection services to a 7.5 square mile area of Delran Township. The population of the District is approximately 18,000. The District is a separate government body known as a Special District and is governed by an elected board of Commissioners. 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 resources necessary to provide fire-fighting services to the residents within its territorial location. This section of the District's financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended.

Description of the Basic Financial Statements

The financial statements consist of the following parts: Management's discussion and analysis; the basic financial statements consisting of government-wide financial statements, and fund financial statements (governmental); 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 Position (Exhibit A-1) and Statement of Activities (Exhibit A-2). The Statement of Net Position reports all assets and liabilities, both financial and capital, and short-term and long-term of the District. The Statement of Activities reports all revenue and expenses during the year, regardless of when cash is received or paid. This form of reporting is new this fiscal year and will continue in the future.

Governmental funds financial statements are prepared on the modified accrual basis of accounting and current financial resources focus. This the traditional form for 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-2). 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 Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities, traces the change in fund balances to the change in net position report in Exhibit B-3.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities as the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term in-flows and out-flows of spendable resources, as well as on balances of spendable resources available at the end of the year.

The District 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 projects fund and debt service fund all of which are considered major funds.

Condensed Government-wide Financial Data

	2012	2011
Unrestricted Current Assets	\$ 689,003	654,359
Capital Assets, Net of Accumulated Depreciation	7,138,142	7,284,230
Total Other Assets	<u>104,480</u>	<u>113,187</u>
 Total Assets	 <u>7,931,625</u>	 <u>8,051,776</u>
Current Liabilities	456,809	444,273
Noncurrent Liabilities	<u>3,504,134</u>	<u>3,903,866</u>
 Total Liabilities	 <u>3,996,943</u>	 <u>4,348,139</u>
Net Assets:		
Invested in Capital Assets, Net of Accumulated Depreciation & Related Debt	3,234,277	3,018,807
Restricted Net Assets	368,735	(73,812)
Unrestricted Net Assets	<u>331,670</u>	<u>758,642</u>
 Total Net Assets	 <u>3,934,682</u>	 <u>3,703,637</u>
 Total Liabilities and Net Assets	 <u>\$7,931,625</u>	 <u>8,051,776</u>
Expenditures Governmental Activities, Net of Program Revenues	\$(1,591,955)	(1,650,161)
General Revenues:		
District Taxes	1,787,461	1,774,497
Permit Fees & Penalties	12,035	10,718
Interest Income	1,237	1,920
Supplemental Fire Services	5,162	5,162
Miscellaneous Revenue	<u>17,105</u>	<u>16,386</u>
 Change in Net Assets	 <u>\$ 231,045</u>	 <u>158,522</u>

Financial Analysis of the District as a Whole

The District's net assets increased by \$231,045 for the fiscal year ended December 31, 2012, or approximately 6.24%, to a total of \$3,934,682. Of the \$3,934,682 in net assets, \$3,234,277 is invested in capital assets (net of accumulated depreciation and related debt).

Budgetary Highlights

Interest earnings revenue was \$763 less than budgeted. This was caused by the decrease in cash and interest rates.

Total General Fund expenditures were \$161,440 less than the amount budgeted.

Capital Assets

As of December 31, 2012, the District has invested \$9,849,108 in a broad range of capital assets including a new building, fire fighting vehicles, and equipment.

Capital Leases and Bonds Payable

During the year ended December 31, 2012, the District decreased the capital leases payable by \$139,558 and also paid off \$222,000 in principal towards the balance of the 2004 Bonds.

Economic Factors and Next Year's Budget

The District's main source of revenue is property taxes. The District expects property tax revenues to increase by 5.29% to \$1,882,052 for the fiscal year ending December 31, 2013.

Budgeted expenditures are expected to increase by 2.95% to \$2,066,596 for the fiscal year ending December 31, 2013.

Contacting the District's Financial Management

This financial statement is designed to provide a general overview of the District's finances. If you have questions about this financial statement or need additional financial information, contact the District's office at 900 Chester Avenue, P.O. Box 1007, Delran, New Jersey 08075.

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

DELRAN TOWNSHIP FIRE DISTRICT #1
STATEMENT OF NET POSITION
DECEMBER 31, 2012
(With Comparative Totals for December 31, 2011)

	GOVERNMENTAL ACTIVITIES	
	(Memorandum Only)	
	DECEMBER 31, 2012	DECEMBER 31, 2011
ASSETS		
Current Assets:		
Cash & Investments	\$689,003	654,359
Total Current Assets	689,003	654,359
Property, Plant & Equipment (See Note 7):		
Property, Plant & Equipment (Net)	7,138,142	7,284,230
Other Assets:		
Unamortized Bond Issuance Costs	104,480	113,187
Total Other Assets	104,480	113,187
Total Assets	7,931,625	8,051,776
LIABILITIES		
Current Liabilities:		
Accounts Payable	20,098	2,100
Deferred Revenue	6,447	6,804
Accrued Interest Payable	66,533	73,812
Current Portion of Long-Term Liabilities	363,731	361,557
Total Current Liabilities	456,809	444,273
Non Current Liabilities:		
Long-Term Liabilities Due Beyond One Year	3,540,134	3,903,866
Total Noncurrent Liabilities	3,540,134	3,903,866
Total Liabilities	3,996,943	4,348,139
NET POSITION		
Invested in Capital Assets, Net of Accumulated Depreciation & Related Debt	3,234,277	3,018,807
Restricted Net Position:		
Capital Outlay	435,268	
Debt Service	(66,533)	(73,812)
Unrestricted Net Position	331,670	758,642
Total Net Position	\$3,934,682	3,703,637

The accompanying notes are an integral part of these financial statements.

DELRAN TOWNSHIP FIRE DISTRICT #1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
(With Comparative Totals for December 31, 2011)

FUNCTION/PROGRAM	EXPENSES	CHARGES FOR SERVICES	GOVERNMENTAL ACTIVITIES	
			(Memorandum Only)	
			DECEMBER 31, 2012	DECEMBER 31, 2011
Governmental Activities:				
Fire Protection:				
Administration	\$249,777		(249,777)	(179,048)
Cost of Providing Services	989,612	40,024	(949,588)	(1,020,167)
Interest on Long-Term Liabilities	172,898		(172,898)	(186,136)
Unallocated Amortization	8,707		(8,707)	(8,707)
Depreciation	210,985		(210,985)	(256,103)
Total Governmental Activities	1,631,979	40,024	(1,591,955)	(1,650,161)
General Revenues:				
District Tax			1,787,461	1,774,497
Permit Fees & Penalties			12,035	10,718
Interest Income			1,237	1,920
Supplemental Fire Services			5,162	5,162
Miscellaneous			17,105	16,386
Total General Revenues			1,823,000	1,808,683
Changes in Net Position			231,045	158,522
Net Position Beginning of the Year			3,703,637	3,545,115
Net Position, End of the Year			\$3,934,682	3,703,637

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

Fund Financial Statements

Governmentals Funds

DELRAN TOWNSHIP FIRE DISTRICT #1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012
(With Comparative Totals for December 31, 2011)

	GENERAL FUND	CAPITAL PROJECTS	TOTALS	
			DECEMBER 31, 2012	(Memorandum Only) DECEMBER 31, 2011
Assets:				
Cash	\$689,001		689,001	654,351
Investments	2		2	8
Interfund Receivable		3,498	3,498	3,498
Total Assets	<u>\$689,003</u>	<u>3,498</u>	<u>692,501</u>	<u>657,857</u>
Liabilities & Fund Balances:				
Liabilities:				
Accounts Payable	\$20,098		20,098	2,100
Interfund Payable	3,498		3,498	3,498
Deferred Revenue	6,447		6,447	6,804
Total Liabilities	<u>30,043</u>		<u>30,043</u>	<u>12,402</u>
Fund Balances:				
Restricted for:				
Capital Projects		3,498	3,498	3,498
Assigned:				
Capital Outlay	435,268		435,268	465,268
Designated for Subsequent Year's Expenditures	125,000		125,000	160,000
Unassigned	98,692		98,692	16,689
Total Fund Balances	<u>658,960</u>	<u>3,498</u>	<u>662,458</u>	<u>645,455</u>
Total Liabilities & Fund Balances	<u>\$689,003</u>	<u>3,498</u>		

Amounts reported for governmental activities in the statement of net position (A-1) are different because:

The costs associated with the issues of the various bonds are expensed in the governmental funds in the year the bonds are issued but are capitalized on the statement of net position. The bond issuance costs are statement of net assets. The bond issuance costs are \$174,136 and the accumulated amortization is \$69,656.

104,480 113,187

Capital assets used in governmental activities are not financial resources and there fore are not reported in the funds. The cost of the assets is \$9,849,108 and the accumulated depreciation is \$2,710,966.

7,138,142 7,284,230

Accrued interest not recorded in current financial statements

(66,533) (73,812)

Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported as liabilities in the funds.

(3,903,865) (4,265,423)

\$3,934,682 3,703,637

The accompanying notes are an integral part of these financial statements.

DELRAN TOWNSHIP FIRE DISTRICT #1
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2012
(With Comparative Totals for December 31, 2011)

	GOVERNMENTAL FUND TYPES			TOTALS	
	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	(Memorandum Only)	
				DECEMBER 31, 2012	DECEMBER 31, 2011
Miscellaneous Revenues:					
Permit Fees & Penalties	\$12,035			12,035	10,718
Registration Fees	40,024			40,024	46,810
Interest on Investments	1,237			1,237	1,920
Other	17,105			17,105	16,386
Supplemental Fire Services	5,162			5,162	5,162
Total Miscellaneous Revenues	75,563			75,563	80,996
Total Revenues	75,563			75,563	80,996
Amount to be Raised by Taxation to Support the District Budget	1,245,726		541,735	1,787,461	1,774,497
Total Anticipated Revenues	1,321,289		541,735	1,863,024	1,855,493
Expenditures:					
Administration	249,777			249,777	179,048
Cost of Operations	978,264			978,264	1,031,969
Capital Outlay	76,245			76,245	132,874
Debt Service			541,735	541,735	541,721
Total Expenditures	1,304,286		541,735	1,846,021	1,885,612
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	17,003			17,003	(30,119)
Fund Balance, January 1	641,957	3,498		645,455	675,574
Fund Balance, December 31	\$658,960	3,498	-	662,458	645,455

The accompanying notes are an integral part of these financial statements.

DELRAN TOWNSHIP FIRE DISTRICT #1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES IN THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$17,003

Amounts reported for governmental activities in the statement of activities
(Exhibit A-2) are different as follows:

Government funds report Capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense during the year.

Fixed Asset Additions	\$64,897	
Less: Current Year Depreciation Expense	<u>(210,985)</u>	(146,088)

Bond Issue Costs Are Reported in the Governmental Funds as expenditures in the year the bonds are issued. However, on the Statement of Activities, the costs are amortized over the life of the bonds:

Amortization Expense		(8,707)
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Accrued Interest on Long Term debt is not accrued in the governmental fund financial statements:

Prior Year	73,812	
Current Year	<u>(66,533)</u>	7,279

Repayment of principal on long-term liabilities is an expenditure for governmental funds, but the repayment reduces long-term liabilities on the Government-Wide Statement of Net Position. Principal payments made on long-term liabilities during the year ended December 31, 2012 consist of the following:

2004 Bonds	222,000	
Capital Leases	<u>139,558</u>	361,558

Change in Net Position of Governmental Activities (Exhibit A-2)		<u><u>\$231,045</u></u>
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The accompanying notes are an integral part of these financial statements.

DELRAN TOWNSHIP FIRE DISTRICT #1

NOTES TO FINANCIAL STATEMENTS

DELRAN TOWNSHIP FIRE DISTRICT #1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1. General Information

Description of Reporting Entity

Fire District #1 of the Township of Delran is a political subdivision of the Township of Delran, Burlington County, New Jersey. It was formed through the adoption of a Township ordinance. A Board of 5 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. 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 #1 of the Township of Delran has two fire companies within its jurisdiction.

Delran Township Fire District #1 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 #14.

District Officials

The District is governed by a board of five directors. The following were in office at December 31, 2012:

Officials	Term Expires March
Charles S. Kendra, Sr. – President	2015
Craig W. Manning – Vice President	2013
James C. Bauer – Secretary	2014
James T. Turcich – Treasurer	2015
Arthur Saul – Assistant Treasurer	2013

Accounting Records

The official accounting records of the District are maintained in the office of Delran Township Fire District #1.

Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

Note 2. Significant Accounting Policies

A. Basis of Accounting and Measurement Focus – The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The

DELRAN TOWNSHIP FIRE DISTRICT #1

NOTES TO THE FINANCIAL STATEMENTS (continued): DECEMBER 31, 2012

Note 2. Significant Accounting Policies (continued):

operations of each fund are summarized by providing a separate set of self-balancing accounts, which include its assets, liabilities, fund equities, revenues and expenses or expenditures. The District uses a chart of accounts based on the uniform accounting system prescribed by the State Controller.

B. Financial Statements

Government-Wide Financial Statements

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments as of January 1, 2004. The District adopted the provisions of Governmental Accounting Standards Board Statement No. 63, Statement of Net Position as of January 1, 2012. The District’s basic financial statements reflect the implementation.

The Districts’ Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Governmental activities for the District.

The basic financial statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the Districts’ assets and liabilities, including capital assets, and long-term liabilities are included in the accompanying Statement of Net Position. 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 Districts’ Government Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance for all major governmental funds and non-major 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 (generally 60 days after year end) are recognized when due. Expenditures are recorded in the accounting period in which the related fund liability is incurred. Reconciliation of the Fund Financial

DELRAN TOWNSHIP FIRE DISTRICT #1

NOTES TO THE FINANCIAL STATEMENTS (continued): DECEMBER 31, 2012

Note 2. Significant Accounting Policies (continued):

Statements to the Government-Wide Financial Statements is provided to explain the differences created by the different measurement focus and basis of accounting.

Accordingly, the Fire District 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 Fire District 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.

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 resources that will be used to service general long-term debt.

Budgets and Budgetary Accounting

The Fire District 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 the annual election for approval of the legal voters.

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

DELRAN TOWNSHIP FIRE DISTRICT #1

NOTES TO THE FINANCIAL STATEMENTS (continued): DECEMBER 31, 2012

Note 2. Significant Accounting Policies (continued):

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, other than in the special revenue fund, are reported as reservations of fund balances at year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

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

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

Fire District Taxes – 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 the following schedule: on or before April 1, an amount equaling 21.25% of all moneys assessed; on or before July 1, an amount equaling 22.5% of all moneys assessed; on or before October 1, an amount equaling 25% of all moneys assessed; and on or before December 31, an amount equaling the difference between the total of all moneys so assessed and the total amount of moneys previously paid over.

Capital Assets – Capital Assets, which include land, building, improvements, and equipment, are reported in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. The District has set capitalization thresholds for reporting capital assets of \$2,000.

Depreciation is recorded on the straight-line method (with no depreciation applied to the first year of acquisition) over the useful lives of the assets as follows:

Station and Improvements	30 – 50 Years
Equipment	5 – 20 Years
Mobile Equipment	10 Years

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

Fund Balance Reserve – Fund balance reserves indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use.

DELRAN TOWNSHIP FIRE DISTRICT #1

**NOTES TO THE FINANCIAL STATEMENTS (continued):
DECEMBER 31, 2012**

Note 2. Significant Accounting Policies (continued):

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 GASB-31, which requires public agencies to report the financial effect of all unrealized gains and losses on invested funds. As of December 31, 2012 the unrealized gains for the District were not considered to be material to the financial statements taken as a whole, and accordingly, has not been reflected in the financial statements.

Subsequent Events – Delran Township Fire District No. 1 has evaluated subsequent events occurring after December 31, 2012 through the date of March 29, 2013, which is the date the financial statements were available to be issued.

Note 3. Cash and Cash Equivalents

The Fire District is governed by the deposit limitations of New Jersey state law. The Deposits held at December 31, 2012, and reported at fair value are as follows:

Type	Carrying Value
Deposits:	
Demand Deposits	<u>\$689,001</u>
Total Deposits	<u>\$689,001</u>

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2012, the District's bank balance of \$702,570 was insured or collateralized as follows:

Insured	\$337,977
Collateralized in the District's Name	
Under GUDPA (See Note 5)	<u>364,593</u>
Total	<u>\$702,570</u>

DELRAN TOWNSHIP FIRE DISTRICT #1

NOTES TO THE FINANCIAL STATEMENTS (continued): DECEMBER 31, 2012

Note 4. Investments

A. Custodial Credit Risk

For an investment, custodial credit risk is a risk that, in the event of the failure of the counterparty, the Fire District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Fire

District, and are held by either the counterparty or the counterparty's trust department or agent but not in the Fire District's name. All of the District's investments are held in the name of the District and are collateralized by GUDPA.

B. Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Fire District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at December 31, 2012, are provided in the above schedule.

C. Investment Credit Risk

The Fire District has no investment policy that limits its investment choices other than the limitation of state law as follows:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;
- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Fire District or bonds or other obligations of the local unit or units within which the Fire District is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Fire District;
- Local Government investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or

DELRAN TOWNSHIP FIRE DISTRICT #1

**NOTES TO THE FINANCIAL STATEMENTS (continued):
DECEMBER 31, 2012**

Note 4. Investments (continued):

- Agreements for the repurchase of fully collateralized securities.

As of December 31, 2012, the Fire District had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Rating</u>	<u>Fair Value</u>
Bond Proceeds Account	N/A	N/A	<u>\$2</u>
Total General Fund			<u>\$2</u>

Note 5. Governmental Unit Deposit Protection Act (GUDPA)

The Fire District has deposited cash in 2012 with an approved public fund depository qualified under the provisions of the Government Unit Deposit Protection Act.

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.17:9-42 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 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 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.

In the event of a default, the Commissioner of Banking within 20 days after the default occurrence shall ascertain the amount of public funds on deposit in the defaulting depository and the amounts covered by federal deposit insurance and certify the amounts to each affected governmental unit. Within 10 days after receipt of this certification, each unit shall furnish to the Commissioner verified statements of its public deposits. The Commissioner shall ascertain the amount derived or to be derived from the

DELRAN TOWNSHIP FIRE DISTRICT #1

**NOTES TO THE FINANCIAL STATEMENTS (continued):
DECEMBER 31, 2012**

Note 5. Governmental Unit Deposit Protection Act (GUDPA) (continued):

liquidation of the collateral maintained by the defaulting depository and shall distribute such proceeds pro rata among the governmental units to satisfy the net deposit liabilities to such units.

If the proceeds of the sale of the collateral are insufficient to pay in full the liability to all affected governmental units, the Commissioner shall assess the deficiency against all other public depositories having public funds on deposit determined by a formula determined by law. All sums collected by the Commissioner shall be paid to the governmental units having deposits in the defaulting depository in the proportion that the net deposit liability to each such governmental unit bears to the aggregate of the net deposit liabilities to all such governmental units.

All public depositories are required to furnish information and reports dealing with public funds on deposit every six months, June 30th and December 31st, with the Commissioner of Banking. Any public depository which refuses or neglects to give any information so requested may be excluded by the Commissioner from the right to receive public funds for deposit until such time as the Commissioner shall acknowledge that such depository has furnished the information requested.

Upon review and approval of the Certification Statement that the public depository complies with statutory requirements, the Commissioner issues forms approving the bank as a municipal depository. The Fire District should request copies of these approval forms semiannually to assure that all depositories are complying with requirements.

Note 6. 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 two years:

Year	Assessed Valuations	Total Tax Levy	Property Tax Rates
2012	\$1,408,575,370	\$1,787,461	.127
2011	1,565,016,051	\$1,774,497	.114
2010	1,566,671,378	1,683,896	.108

DELRAN TOWNSHIP FIRE DISTRICT #1

**NOTES TO THE FINANCIAL STATEMENTS (continued):
DECEMBER 31, 2012**

Note 7. Changes in Fixed Assets

Fixed assets as of December 31, 2012 consisted of the following:

	Balance December 31, 2011	Adjustments	Additions	Deletions	Balance December 31, 2012
Land	\$ 343,900	\$ -			\$ 343,900
Vehicle	3,431,057		\$ 40,807	\$(195,260)	3,276,604
Building	5,677,342				5,677,342
Equipment	<u>527,172</u>		<u>24,090</u>		<u>551,262</u>
Subtotal	9,979,471		64,897	(195,260)	9,849,108
Less:					
Accumulated Depreciation	<u>(2,695,241)</u>		<u>(210,985)</u>	<u>195,260</u>	<u>(2,710,966)</u>
Total	<u>\$7,284,230</u>	\$ -	<u>\$(146,088)</u>	\$ -	<u>\$7,138,142</u>

Note 8. Changes in Long-Term Debt

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

	Balance December 31, 2011	Issued	Retired	Balance December 31, 2012	Due Within One Year
Capital Leases Payable	\$ 652,423	\$ -	\$139,558	\$ 512,865	\$133,731
Bonds Payable	<u>3,613,000</u>		<u>222,000</u>	<u>3,391,000</u>	<u>230,000</u>
Capital Leases Payable	<u>\$4,265,423</u>	\$ -	<u>\$361,558</u>	<u>\$3,903,865</u>	<u>\$363,731</u>

A. Bonds Payable:

During 2004, voters of the District approved a Bond Ordinance amounting to \$4,898,000 for the construction of firehouses and purchase of additional fire apparatus. Principal and interest due on outstanding Bonds is as follows:

Fiscal Year Ended	Principal	Interest	Total
2013	\$ 230,000	\$ 145,834	\$ 375,834

DELRAN TOWNSHIP FIRE DISTRICT #1

**NOTES TO THE FINANCIAL STATEMENTS (continued):
DECEMBER 31, 2012**

Note 8. Changes in Long-Term Debt (continued):

Fiscal Year Ended	Principal	Interest	Total
2014	239,000	136,634	375,634
2015	249,000	127,074	376,074
2016	259,000	117,114	376,114
2017	269,000	106,754	375,754
2018-2022	1,473,000	357,552	1,830,552
2023-2024	<u>672,000</u>	<u>46,990</u>	<u>718,990</u>
Total	<u>\$3,391,000</u>	<u>\$1,037,952</u>	<u>\$4,428,952</u>

B. Capital Leases Payable:

The following is a summary of property held under capital leases:

2009 Ford F-550 Cascade Truck
2009 Pierce Arrow XT Pumper

The following is a schedule of future minimum lease payments under the capital lease for the above items at December 31, 2012:

Fiscal Year Ended	Principal	Interest	Total
2013	\$133,731	\$20,552	\$154,283
2014	139,379	15,805	155,184
2015	76,988	9,015	86,003
2016	79,882	6,120	86,002
2017	<u>82,886</u>	<u>3,117</u>	<u>86,003</u>
Total	<u>\$512,866</u>	<u>\$54,609</u>	<u>\$567,475</u>

Note 9. Risk Management

The District is exposed to various risks of loss relation to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

DELRAN TOWNSHIP FIRE DISTRICT #1

**NOTES TO THE FINANCIAL STATEMENTS (continued):
DECEMBER 31, 2012**

Note 9. Risk Management (continued):

Insurance coverage as of December 31, 2012 is as follows:

	Coverage
Property:	
Real Property, including code upgrades	Replacement Cost
Building Contents	\$65,000
Electronic Data Processing:	
Business Personal Property Included	\$53,768
Equipment	Included
Software	\$25,000
Emergency Services Commandeered Property	Replacement Cost
Scheduled Equipment Floater:	
Miscellaneous Portable Equipment	Blanket
Public Employee Dishonesty/Fidelity Bond	\$1,000
Employee Benefits Liability	\$1,000
Automobile Comprehensive	\$500,000
Liability:	
Commercial/General Liability Package	\$1,000,000
Automobile Coverage:	
Combined Single Limit	\$500,000
Uninsured Motorists	\$500,000
Excess Liability Coverage –	
Officers Errors & Omissions, Occurrence	\$500,000
Valuable Papers/Records	Actual Cost Incurred
Personnel:	
Worker's Compensation	Statutory
PERS Health	\$1,000,000/2,000,000
Accident & Dismemberment	\$150,000

Note 10. Unamortized Bond Issuance Costs

In governmental funds bond issuance is recognized in the current period. For district-wide financial statements, debt issuance costs are amortized over the life of the original issue. The cost associated with the 2004 Bond Issue was \$174,136. Amortized Issuance Cost for 2012 was \$8,707 and Unamortized Bond Issuance Costs at December 31, 2012 is \$104,480.

DELRAN TOWNSHIP FIRE DISTRICT #1

NOTES TO THE FINANCIAL STATEMENTS (continued): DECEMBER 31, 2012

Note 11. Pension:

A. Plan Description

The Delran Township Fire District #1 contributes to a cost-sharing multiple-employer defined benefit pension plan, Public Employees' Retirement System (P.E.R.S.), administered by the State of New Jersey, Division of Pensions and Benefits. It provides retirement, disability, medical and death benefits to plan members and beneficiaries. The State of New Jersey P.E.R.S. program was established as of January 1, 1955. The program was established under the provisions of *N.J.S.A.43:15A* and *N.J.S.A.43:16A* which assigns authority to establish and amend benefit provisions to the plan's board of trustees. P.E.R.S. issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625, or calling (609) 984-1684.

B. Vesting and Benefit Provisions

The vesting and benefit provisions of PERS are set by *N.J.S.A.43:15A* and *43.3B*. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Chapter 78, P.L. 2011 changed this for employees enrolled after June 28, 2011. See Note 9C below.

C. Significant Legislation

During the year ended June 30, 1997, legislation was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by ½ of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the District's normal contributions to the Fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of

DELRAN TOWNSHIP FIRE DISTRICT #1

NOTES TO THE FINANCIAL STATEMENTS (continued): DECEMBER 31, 2012

Note 11. Pension (continued):

Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits; accordingly, the pension costs for PERS were reduced.

New Legislation signed by the Acting Governor (Chapter 133, Public Laws 2001) changed the formula for calculating retirement benefits for all current and future non-veteran retirees from N/60 to N/55 (a 9.09% increase). This legislation, signed June 29, 2001, provides that all members of the TPAF and the PERS will have their pensions calculated on the basis of years of credit divided by 55. It also provides that all current retirees will have their original pension recalculated under the N/55 formula. Starting February 1, 2002, pension cost of living adjustments will be based on the new original pension.

Effective June 28, 2011, Chapter 78, P.L. 2011 reformed various pension and health benefits provisions. Employees hired after June 28, 2011 and enrolled in PERS will be enrolled in a new tier, Tier 5. Full retirement for Tier 5 PERS members will be age 65 and 30 years of service.

All cost of living adjustments are frozen until the pension fund reaches a "target funded ratio".

Chapter 78 also requires all covered employees to contribute a prescribed percentage towards their health costs.

D. Contribution Requirements

The contribution policy is set by N.J.S.A.43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A.18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provide for employee contributions of 6.5%, effective October 1, 2011, of employees' annual compensation as defined. The rate will increase over the next seven years to 7.5%. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits and post-retirement medical premiums. The District's contributions to P.E.R.S. for the years ending December 31, 2012, 2011 and 2010 were \$20,821, \$15,038 and \$12,180, equal to the required contributions for each year. The Fire District presently has four employees enrolled in the Public Employees Retirement System.

DELRAN TOWNSHIP FIRE DISTRICT #1

**NOTES TO THE FINANCIAL STATEMENTS (continued):
DECEMBER 31, 2012**

Note 12. Interfunds

As of December 31, 2012, the following interfund balances remained on the balance sheet:

Fund	Interfund Receivable	Interfund Payable
General		\$3,948
Capital Projects	<u>\$3,948</u>	<u> </u>
Total	<u>\$3,948</u>	<u>\$3,948</u>

Note 13. Fund Balances Appropriated

The 2012 annual budget of the Fire District was adopted on December 27, 2011 and subsequently approved by the voters at the annual election. The budget utilized \$125,000 of fund balance in the general fund.

The following presents the general fund fund balance as of the end of the last two years and the amount utilized in the subsequent year's budget:

Year	Balance December 31,	Utilized in Subsequent Budget
2012	\$658,960	\$125,000
2011	641,957	160,000

Note 14. GASB #54 Fund Balance Disclosures

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by external parties, constitutional provision or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

DELRAN TOWNSHIP FIRE DISTRICT #1

**NOTES TO THE FINANCIAL STATEMENTS (continued):
DECEMBER 31, 2012**

Note 14. GASB #54 Fund Balance Disclosures (continued):

- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Business Administrator.
- Unassigned – includes balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

General Fund – Of the \$658,960 General Fund fund balance at December 31, 2012, \$125,000 has been assigned to be designated for subsequent year's expenditures, \$435,268 has been assigned as designated for Capital Outlay; and \$98,692 is unassigned.

Capital Projects Fund – Of the \$3,498 Capital Projects Fund fund balance at December 31, 2012, the entire balance is restricted for Capital.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available, unless prohibited by law or regulation.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

Budgetary Comparison Schedules

**DELRAN TOWNSHIP FIRE DISTRICT #1
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE -
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL BUDGETARY BASIS	VARIANCE FAVORABLE/ (UNFAVORABLE)
Fund Balance	\$160,000	160,000	160,000	
Miscellaneous Revenues:				
Permit Fees & Penalties	1,000	1,000	12,035	11,035
Registration Fees	34,500	34,500	40,024	5,524
Interest on Investments	2,000	2,000	1,237	(763)
Other	17,000	17,000	17,105	105
Supplemental Fire Services	5,500	5,500	5,162	(338)
Total Miscellaneous Revenues Anticipated	60,000	60,000	75,563	15,563
Amount to be Raised by Taxation to Support the District Budget	1,245,726	1,245,726	1,245,726	
Total Revenues	1,465,726	1,465,726	1,481,289	15,563
EXPENDITURES				
Operating Appropriations:				
Administration:				
Salaries & Wages	48,000	48,000	48,000	
Employee Benefits	5,032	5,032	5,032	
Election	1,500	1,500	1,080	420
Insurance Premiums	44,444	44,444	74,794	(30,350)
Membership Dues & Subscriptions	2,500	2,500	1,009	1,491
Office Supplies & Postage	7,500	7,500	7,824	(324)
Office Operations	10,000	10,000	34,393	(24,393)
Advertising	3,000	3,000	1,457	1,543
Utilities	18,000	18,000	14,964	3,036
Professional Services	60,000	60,000	47,349	12,651
Office Rent	10,000	10,000	10,800	(800)
Promotion	5,000	5,000	3,075	1,925
Total Administration	214,976	214,976	249,777	(34,801)

DELRAN TOWNSHIP FIRE DISTRICT #1
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE -
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

	ORIGINAL BUDGET	MODIFIED BUDGET	ACTUAL BUDGETARY BASIS	VARIANCE FAVORABLE/ UNFAVORABLE)
Cost of Operations:				
Employee Benefits	27,000	27,000	20,229	6,771
Maintenance & Repair	75,000	75,000	97,349	(22,349)
Membership Dues & Subscriptions	2,500	2,500	1,282	1,218
Rental Charges	30,000	30,000	30,000	0
Utilities	80,000	80,000	73,252	6,748
Professional Services	25,000	25,000	23,528	1,472
Other Operating Materials & Supplies	125,000	125,000	94,582	30,418
Personal Protective Equipment	25,000	25,000	31,805	(6,805)
Fire Hydrant Rentals or Services	151,000	151,000	151,626	(626)
Training & Education	30,000	30,000	13,804	16,196
Pagers	12,000	12,000	9,470	2,530
Uniform & Personal Equipment	10,000	10,000	9,367	633
Aid to Emergency Squad	33,000	33,000	28,000	5,000
Reimbursement for Expenses	125,000	125,000	121,197	3,803
Contingent Expenses	10,000	10,000		10,000
Uniform Fire Safety Act:				0
Salary and Wages	205,802	205,802	200,318	5,484
Employee Benefits	45,448	45,448	64,666	(19,218)
Other Expenses	40,000	40,000	7,789	32,211
Total Cost of Operations	1,051,750	1,051,750	978,264	73,486
Capital Outlay				
Capital Improvements	149,000	149,000	76,245	72,755
Capital Reserve	50,000	50,000		50,000
Total Capital Outlay	199,000	199,000	76,245	122,755
Total Expenditures	1,465,726	1,465,726	1,304,286	161,440
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	-	-	177,003	177,003
Fund Balances, January 1	641,957	641,957	641,957	
Less: Fund Balance utilized	(160,000)	(160,000)	(160,000)	
Fund Balances, December 31	\$481,957	481,957	658,960	177,003

**DELRAN TOWNSHIP FIRE DISTRICT #1
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE -
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

REVENUES	ORIGINAL BUDGET	ADJUSTED FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Amount to be Raised by Taxation to Support the District Budget	\$541,735	541,735	541,735	
Total Revenues	541,735	541,735	541,735	
EXPENDITURES				
Principal Payments:				
2004 Bonds	222,000	222,000	222,000	
Capital Leases	139,558	139,558	139,558	
Interest Payments:				
2004 Bonds	153,604	153,604	153,604	
Capital Leases	26,573	26,573	26,573	
Total Expenditures	541,735	541,735	541,735	
Fund Balances, December 31	-	-	-	-

Long-Term Debt

DELRAN TOWNSHIP FIRE DISTRICT #1
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS PAYABLE
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

Issue	DATE OF ISSUE	AMOUNT OF ISSUE	ANNUAL MATURITIES		INTEREST RATE	BALANCE JANUARY 1, 2012	ISSUED	RETIRED	BALANCE DECEMBER 31, 2012
			DATE	AMOUNT					
General Obligation Bonds, 2004	7/19/04	\$4,898,000	8/15/13	\$230,000	4.000%	\$3,613,000		222,000	3,391,000
			8/15/14	239,000	4.000%				
			8/15/15	249,000	4.000%				
			8/15/16	259,000	4.000%				
			8/15/17	269,000	4.000%				
			8/15/18	280,000	4.125%				
			8/15/19	292,000	4.250%				
			8/15/20	287,000	4.375%				
			8/15/21	300,000	4.625%				
			8/15/22	314,000	4.625%				
			8/15/23	328,000	4.625%				
			8/15/24	344,000	4.625%				
Total						\$3,613,000	-	222,000	3,391,000

DELRAN TOWNSHIP FIRE DISTRICT #1
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE YEAR ENDED DECEMBER 31, 2012

Description	DATE OF LEASE	TERM OF LEASE	AMOUNT OF ORIGINAL ISSUE PRINCIPAL INTEREST	INTEREST RATE PAYABLE	AMOUNT		DUE IN 1 YEAR
					OUTSTANDING JANUARY 1, 2012	OUTSTANDING DECEMBER 31, 2012	
Command Vehicle - Lease 2007	1/22/07	5 years	\$65,390	5.00%	\$11,242	11,242	
Fire/Emergency Vehicles- Lease 2009	1/10/10	5 years	298,000	4.50%	186,800	59,398	62,222
Fire Truck - Lease 2010	7/19/10	7 years	520,801	3.75%	454,381	68,918	71,509
Total					\$652,423	139,558	133,731

GENERAL COMMENTS AND RECOMMENDATIONS



Board of Fire Commissioners
Delran Township Fire District #1
Delran, New Jersey 08075

We have audited the basic financial statements of the Delran Township Fire District #1 in the County of Burlington for the year ended December 31, 2012. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS

Contracts and Agreements Required to be advertised by (N.J.S.A.40A:11-4)

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500 except by contract or agreement.

It is pointed out that the Board of Fire Commissioners has the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

The minutes indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.40A:11-5*.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$2,625 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

Examination of Bills

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate.

Follow-up of Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year findings. The previous year audit findings have been corrected.

Acknowledgment

We received the complete cooperation of all the staff of the District and we greatly appreciate the courtesies extended to the members of the audit team.

The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should you have any questions concerning our comments or recommendations, or should you desire any assistance in implementing our recommendations, please call me.

Holman Frenia Allison P.C.

HOLMAN FRENIA ALLISON, P. C.
Certified Public Accountants

Medford, New Jersey
March 29, 2013