

**FIRE DISTRICT NO. 5**  
**TOWNSHIP OF GLOUCESTER, NEW JERSEY**  
**REPORT OF AUDIT**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2010**

**FIRE DISTRICT NO. 5  
TOWNSHIP OF GLOUCESTER, NEW JERSEY**

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TOWNSHIP OF GLOUCESTER, NEW JERSEY

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**FIRE DISTRICT NO. 5**  
**TOWNSHIP OF GLOUCESTER, NEW JERSEY**  
Roster of Officials and Surety Bonds

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**Board of Commissioners**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Amount of Surety Bond</u></b>
Barry Engelbert	Chairman	(A)
Joseph DeRosa	Vice-Chairman	(A)
Joseph DeRosa	Treasurer	(A)
Anthony Tomasco	Commissioner	(A)
Joseph DiGrazio	Co-Secretary	(A)
Richard Baker	Co-Secretary	(A)

**Other Officials**

Judy Gore	Clerk	(A)
Marge Martinis	Asst. Clerk	(A)

(A) American Alternative Insurance Company provides a blanket bond in the amount of \$250,000.00.

## **FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

Board of Fire Commissioners  
Fire District No. 5  
Township of Gloucester  
Sicklerville, New Jersey 08081

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Township of Gloucester Fire District No. 5, in the County of Camden, State of New Jersey, as of and for the year ended December 31, 2010, 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 Board of Commissioners of the Township of Gloucester Fire District No. 5'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fire District's internal control over financial reporting. Accordingly, we express no such opinion. 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.

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 Gloucester Fire District No. 5, in the County of Camden, State of New Jersey as of December 31, 2010, and the respective changes in financial position thereof 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 April 19, 2011 on our consideration of the Township of Gloucester Fire District No. 5'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 Gloucester Fire District No. 5'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,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
April 19, 2011

**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  
Fire District No. 5  
Township of Gloucester  
Sicklerville, New Jersey 08081

We have audited the financial statements of the governmental activities, and each major fund of the Township of Gloucester Fire District No. 5, in the County of Camden, State of New Jersey, as of and for the year ended December 31, 2010, and have issued our report thereon dated April 19, 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 the Township of Gloucester Fire District No. 5's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fire District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fire District's internal control over financial reporting.

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 Fire District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Recommendations that we consider to be a significant deficiency in internal control over financial reporting as finding no.: 2010-1. 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township of Gloucester Fire District No. 5'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 instances of noncompliance or other matters 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 which are described in the accompanying Schedule of Findings and Recommendations as findings no.: 2010-1 and 2010-2.

We also noted a matter that we have reported to management of the Fire District in a separate letter dated April 19, 2011.

The Township of Gloucester Fire District No. 5's response to the findings identified in our report are described in the accompanying Schedule of Findings and Recommendations. We did not audit the Township of Gloucester Fire District No. 5's response and, accordingly, we express no opinion on it.

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

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
April 19, 2011

**REQUIRED SUPPLEMENTARY INFORMATION  
PART I**

GLOUCESTER TOWNSHIP FIRE DISTRICT NO. 5  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND DECEMBER 31, 2009  
(UNAUDITED)

As management of the Gloucester Township Fire District No. 5 we offer readers of the Gloucester Township Fire District No. 5 financial statements this narrative overview and analysis of the financial activities of Gloucester Township Fire District 5 for the years ended December 31, 2010 and 2009. The intent of this discussion and analysis is to look at the Township of Gloucester Fire District No. 5 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 Gloucester Township Fire District No. 5 financial performance.

**Financial Highlights**

- The assets of Gloucester Township Fire District No. 5 exceeded its liabilities at the close of 2010 by \$941,801.99 (Net Assets). By comparison, the assets of Gloucester Township Fire District No. 5 exceeded its liabilities at the close of 2009 by \$885,230.89, (Net Assets). This reflects an increase in Net Assets in the amount of \$56,571.10 as of December 31, 2010 and \$113,964.93 for 2009.
- As of December 31, 2010 the Gloucester Township Fire District No. 5's governmental funds reported ending fund balances in the amount of \$562,133.47 as compared with ending fund balances as of December 31, 2009 in the amount of \$662,275.46. This represents a decrease in governmental funds, fund balance in the amount of \$100,141.98 for 2010 and \$505,001.94 for 2009.
- As of December 31, 2010 the Gloucester Township Fire District No. 5's fund balance for the general fund was \$526,278.51 as compared with fund balance in the general fund as of December 31, 2009 in the amount of \$522,778.47. This reflects an increase in the fund balance of the general fund in the amount of \$3,500.03. As of December 31, 2009 fund balance for the general fund was \$522,778.47. This reflects an increase in general fund balance of \$14,842.06 over December 31, 2008 or an increase of approximately 3%.
- The District entered into a lease purchase agreement to finance the purchase of fire apparatus during 2005. As of December 31, 2009 the outstanding liability on this debt was \$128,187.37. Of this amount, \$62,614.11 was due within one year and \$65,573.26 was due beyond one year. As of December 31, 2010 the outstanding liability on this debt was \$65,573.26 which is due within one year.
- On April 26, 2007, the fire district issued \$1,200,000.00 general obligation bonds at an interest rate of 4.60% for construction and renovation projects. The final maturity of these bonds is April 15, 2022. The payment of the debt will be funded

by property taxes. As of December 31, 2010 the liability of \$1,020,000.00 was outstanding with \$70,000.00 due in one year. The construction and renovation was completed by the end of 2010. As of December 31, 2008 the amount of \$1,140,000.00 was outstanding on the bonds with \$60,000.00 due within one year. As of December 31, 2009 the amount of \$1,080,000.00 was outstanding on the bonds with \$60,000.00 due in one year. Long-term obligations are explained in note 6 to the financial statements.

## **Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Gloucester Township Fire District No. 5's basic financial statements. The Gloucester Township Fire District No. 5's basic financial statements comprise 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 Gloucester Township Fire District No. 5's finances, in a manner similar to a private sector business.

The Statement of Net Assets presents information on all of the Gloucester Township Fire District No. 5'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 Gloucester Township Fire District No. 5 is improving or deteriorating.

The Statement of Activities presents information showing how the Gloucester Township Fire District no. 5'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 the 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 Gloucester Township Fire District No. 5 that are principally supported by taxes and intergovernmental revenues (governmental activities.) The activities of the Gloucester Township Fire District No. 5 include fire-fighting and emergency medical services that are provided to the citizens of and travelers within the Gloucester Township Fire District No. 5.

**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 Gloucester Township Fire District No. 5, 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 Gloucester Township Fire District No. 5 constitute one fund type, governmental funds.

**Governmental Funds.** All of the Gloucester Township Fire District No. 5'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 future periods. These funds are reported using an accounting method called the modified-accrual basis of accounting which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Gloucester Township Fire District No. 5'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 firefighting services.

The Gloucester Township Fire District No. 5 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 balance for the general fund, special revenue fund, capital projects fund, and 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.

The Gloucester Township Fire District No. 5 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 Financial Statements.** The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to financial statements are an integral part of the financial statements

### **District-wide Financial Analysis**

As noted earlier, the net assets may serve over time as a useful indicator of a government's financial position. In the case of the Gloucester Township Fire District No. 5, assets exceeded liabilities by \$941,801.99 as of December 31, 2010 and \$885,230.89 as of December 31, 2009.

Gloucester Township Fire District No. 5's net assets include cash and cash equivalents net of accounts payable and accrued interest payable and investment in capital assets (i.e. buildings and equipment). The Gloucester Township Fire District No. 5 uses cash and cash equivalents to satisfy budgetary requirements, meet cash flow requirements, to reduce future taxation and fund future capital projects. The Gloucester Township Fire District No. 5 uses capital assets to provide fire-fighting services primarily to the citizens

of the Gloucester Township Fire District No. 5; consequently these assets are not available for future spending.

As of December 31, 2009 cash and cash equivalents in the amount of \$139,496.98 are restricted for the use in capital projects. This amount of restricted cash and cash equivalents is primarily the result of funds available from the bonds issued during 2007. As of December 31, 2010 restricted cash and cash equivalents were \$35,854.97.

**Statement of Net Assets**

GLOUCESTER TOWNSHIP FIRE DISTRICT NO. 5  
NET ASSETS  
DECEMBER 31, 2009 AND 2010

	2009	2010
CASH AND EQUIVALENTS	561,965.51	554,298.32
ACCCOUNTS RECEIVABLE	4,926.00	
BOND ISSUANCE COSTS	23,920.95	21,981.42
OVER EXPENDTURES OF APP		12,787.75
RESTRICTED CASH	139,496.98	35,854.97
CAPITAL ASSETS	1,419,900.89	1454,346.18
 TOTAL ASSETS	 2,150,210.33	 2,079,268.64
 ACCOUNTS PAYABLE	 44,113.04	 40,807.57
ACCRUED INTEREST PAYABLE	12,679.03	11,085.82
NON CURRENT LIABILITIES	1,208,187.37	1,085,573.26
 TOTAL LIABILITIES	 1,264,979.44	 1,137,466.65
 NET ASSETS	 885,230.89	 941,801.99
 ANALYSIS OF NET ASSETS		
 INVESTED IN CAPITAL ASSETS NET OF RELATED DEBT	 235,634.47	 390,754.34
RESTRICTED FOR CAPITAL PROJECTS	139,496.98	35,854.97
UNRESTRICTED	510,099.44	515,192.68
 TOTAL NET ASSETS	 885,230.89	 941,801.99

A portion of Gloucester Township Fire District No. 5's net assets (4% as of December 31, 2010 and 16% as of December 31, 2009) represents resources that are subject to external restrictions on how they may be used.

In total, assets of governmental activities increased during 2009 in the amount of \$113,964.93 AND \$56,571.10 during 2010.

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

	2009	2010
Expenses		
Operating Expenses		
Administration	126,937.62	131,720.17
Cost of Operations and Maintenance	980,943.46	1,079,948.82
Operating Appropriations Offset		
With Revenues	11,600.00	13,922.50
Unallocated Depr and Amortization	1,939.54	1,939.53
Interest on Long-Term Debt	58,395.07	52,764.92
Total Expenses	1,179,815.69	1,280,295.94
Revenues		
Program Revenues	20,582.59	24,054.04
Taxes Levied and Received	1,261,250.00	1,280,237.00
Unrestricted Investment Earnings	6,119.78	2,168.13
Miscellaneous Income	5,828.25	30,407.87
Total Revenues	1,293,780.62	1,336,867.04
Increase (Decrease) in Net Assets	113,964.93	56,571.10
Net Assets January 1	771,265.96	885,230.89
Net Assets December 31	885,230.89	941,801.99

Property taxes constituted 96% of revenues for government activities for the fire district for 2010 and 97% of revenues for 2009.

Cost of Operations and Maintenance comprises 83% of fire district expenditures for 2009 and administration comprises 11% of district expenditures for the same year. For 2008

Cost of Operations and Maintenance comprised 83% of fire district expenditures with administration comprising 11%

### **Financial Analysis of the Government Funds**

As stated earlier, the Gloucester Township Fire District No. 5 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Fund**

The focus of the Gloucester Township Fire District No. 5's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Gloucester Township Fire District No. 5's financing requirements. In particular, unreserved fund balance may serve as a useful measure of government's net resources available for spending at the end of the year as a useful measure of permitting a governmental unit to maintain cash flow in anticipation of tax collections.

As of December 31, 2010 and December 31, 2009 respectively the Gloucester Township Fire District No.5's governmental funds reported combined ending fund balances of \$562,278.50 and \$662,275.45. The combined ending fund balance decreased during 2010 in the amount of \$100,141.98 and decreased during 2009 in the amount of \$505,001.84...

Of the combined fund ending fund balances as of December 31, 2009 in the amount of \$662,275.45, unreserved fund balance constituted \$487,530.97. The remainder of fund balance is reserved for future capital outlays of \$35,854.97, encumbrances of \$35,247.50 and the capital project of \$103,642.01. No portion of the fund balance is anticipated as revenue in the budget for 2010.

Of the combined ending fund balances as of December 31, 2010 in the amount of \$562,133.47, unreserved fund balance constituted \$526,278.50. The remainder of fund balance, \$35,854.97 was reserved for future capital outlays.

The general fund is the main operating fund of the Gloucester Township Fire District No. 5. At the end of 2010 and 2009 the unreserved fund balance of the general fund was \$526,278.50 and \$522,778.47 respectively.

During 2009 the Township of Gloucester Fire District No. 5's general fund increased by \$14,842.06. The key factors were

- Interest Income on investments exceeded expectations.
- Fire Safety Revenue was higher than anticipated
- Administration expenditures were less than anticipated in the budget
- Operations Overtime and Substitutes was higher than anticipated in the original budget for 2009

- Less money was expended for Insurance than anticipated. .
- Training and Education expenditures were less than anticipated.
- The district did not expend funds that were anticipated in 2009 for the salary of a new fire fighter.
- More was expended for Maintenance & Repair items than anticipated.
- More was expended for Fire Equipment than originally expected
- Hydrant Rental Charges were more than anticipated.

During the 2010 the Township of Gloucester Fire District No. 5's general fund decreased by \$100,141.98. The key factors were as follows

- The expenditures for Employee Benefits were more the amount originally anticipated in the budget.
- The expenditure for Operations Overtime exceeded the amount originally anticipated in the budget
- The expenditures for Fire Equipment were more than anticipated in the original budget.
- The district received unanticipated Miscellaneous income on investments than anticipated.

The capital projects fund at the end of 2009 and 2010 was \$35,854.97.

### **General Fund Budgetary Highlights**

During both 2009 and 2010 the Gloucester Township Fire District No. 5 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 for 2010 for the general fund was \$1,122,226.00. The original budgetary estimate was the same. The final budgetary revenue estimate for 2009 for the general fund was \$1,119,814. The original budgetary estimate was the same.

During the year 2009, the Gloucester Township Fire District No. 5 budgeted \$1,094,351.00 for property taxes (local tax levy) and \$2,463.00 for state aid revenues (Supplemental Fire Services Grant). Fire Safety Act Revenue was budgeted for \$14,000.00. Gloucester Township Fire District No. 5 received Fire Safety Act Revenues in the amount of \$18,119.59. Interest on Investments and Deposits was anticipated at \$5,000.00 for 2009 and \$6119.78 was actually received.

During the year 2010, the Gloucester Township Fire District No. 5 budgeted \$1,122,226.00.00 for property taxes (local tax levy) and \$2,463.00 for state aid revenues (supplemental fire services grant). Fire Safety Act Revenue was budgeted for \$14,500.00 Gloucester Township Fire District No. 5 received Fire Safety Act Revenues in the

amount of \$21,591.04. Interest Income on Investments was budgeted for \$2,000.00 and \$2,168.13 was subsequently received

The increase in interest income for 2009 was attributable to the investment of the unexpended proceeds of the funds received as result of issuance of the bonds for construction.

The final budgetary appropriation estimate for 2009 for the general fund was \$1,119,814.00. The final budgetary expenditures appropriations estimate for 2010 was \$1,157,473.50. The original budgetary estimates were the same for 2009 and 2010.

**Capital Assets and Debt Administration**

**Capital Assets.** The Gloucester Township Fire District No. 5’s investment in capital assets for its governmental funds as of December 31, 2009 and 2010 respectively, net of depreciation was \$1,419,900.89 and \$1,454,346.18. This investment in capital assets includes construction in progress, buildings and improvements, vehicles, fire equipment and office equipment. The district acquired capital assets in the amount of \$103,642.01 during 2010 and \$499,569.90 during 2009. The district did not retire any Capital Assets during 2010. During 2009 fully depreciated Capital Assets in the amount of \$49,210.96 were retired.

At the end of 2009 the Gloucester Township Fire District No. 5 had \$2,825,708.15 invested in capital assets. The accumulated depreciation on those items was \$1,405,807.26. At the end of 2008 the Gloucester Township Fire District No. 5 had \$2,310,600.01 invested in capital assets. The accumulated depreciation on those items was \$1,390,269.01. As of December 31, 2007 Construction in Progress was \$19,799.09. As of December 31, 2008 Construction in Progress was \$547,421.04. As of December 31, 2009 Construction in Progress was \$1,067,264.94. Construction was completed during 2010.

GLOUCESTER TOWNSHIP FIRE DISTRICT NO. 5  
CAPITAL ASSETS  
(NET OF ACCUMULATED DEPRECIATION)  
DECEMBER 31, 2009 AND 2010

	2009	2010
CONSTRUCTION IN PROGRESS	1,067,264.94	
BUILDINGS AND IMPROVEMENTS	12,313.84	1,182,536.69
VEHICLES	266,831.36	214,343.26
EQUIPMENT	73,490.75	57,466.23
TOTAL CAPITAL ASSETS	1,419,900.89	1,454,346.18

Additional information on the Gloucester Township Fire District No. 5's capital assets can be found in the note 5 to financial statements.

### **Long-Term Obligations**

The Gloucester Township Fire District No. 5 is liable for a capital lease Obligation incurred during 2005 and the general obligation bonds issued for construction during 2007. Detailed financial information on the debts including the outstanding balance, the amount due in one year and the repayment schedules are fully presented in note to financial statements number 6.

The Gloucester Township Fire District No. 5 was not obligated for compensated absences pertaining to unused sick and vacation time for either 2009 or 2008. The policies and commitments of the Gloucester Township Fire District No. 5 pertaining to sick and vacation time are highlighted in note to financial statements number 9 entitled Compensated Absences.

### **Economic Factors and the Budget for 2009**

The budgets for 2009 and 2010 were sustained primarily through the district tax levy and other sources of anticipated revenue.

The Board of Fire Commissioners adopted the 2009 budget January 11, 2011 and the voters subsequently rejected the budget at the annual district election held on February 19, 2010.

The Board of Fire Commissioners of the Gloucester Township Fire District No. 5 makes every effort to control costs and at the same time provide proper fire protection to ensure the safety of its residents.

### **Requests for Information**

This financial report is designed to provide a general overview of the Gloucester Township Fire District No. 5's finances for all of those with an interest in the government's finances. Questions concerning any of the information should be addressed to Judy Gore, Administrative Clerk, at Gloucester Township Fire District No. 5. 1781 Sicklerville Road, Sicklerville, NJ 08081

## **BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS**

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5**  
Statement of Net Assets  
December 31, 2010

**ASSETS:**

Cash and Cash Equivalents	\$ 554,298.32
Deferred Assets:	
Bond Issuance Costs	21,981.42
Overexpenditure of Appropriations	12,787.75
Restricted Assets:	
Restricted Cash and Cash Equivalents	35,854.97
Capital Assets, net (Note 5)	<u>1,454,346.18</u>
Total Assets	<u>2,079,268.64</u>

**LIABILITIES:**

Accounts Payable	40,807.57
Accrued Interest Payable	11,085.82
Noncurrent Liabilities (Note 6):	
Due within One Year	135,573.26
Due beyond One Year	<u>950,000.00</u>
	<u>1,137,466.65</u>

**NET ASSETS:**

Invested in Capital Assets, Net of Related Debt	390,754.34
Restricted for:	
Capital Projects	35,854.97
Unrestricted	<u>515,192.68</u>
Total Net Assets	<u>\$ 941,801.99</u>

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

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5**

Statement of Activities

For the Year Ended December 31, 2010

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Expenses:	
Operating Appropriations:	
Administration	\$ 131,720.17
Cost of Operations and Maintenance	1,079,948.82
Operating Appropriations Offset with Revenues	13,922.50
Unallocated Depreciation and Amortization	1,939.53
Interest on Long-Term Debt	<u>52,764.92</u>
Total Program Expenses	<u>1,280,295.94</u>
Program Revenues:	
Charges for Services	21,591.04
Operating Grants and Contributions	<u>2,463.00</u>
Net Program Expenses	<u>1,256,241.90</u>
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	1,103,264.76
Taxes Levied for Debt Service	176,972.24
Unrestricted Investment Earnings	2,168.13
Miscellaneous Income	<u>30,407.87</u>
Total General Revenues	<u>1,312,813.00</u>
Increase in Net Assets	56,571.10
Net Assets, January 1	<u>885,230.89</u>
Net Assets, December 31	<u><u>\$ 941,801.99</u></u>

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

## **FUND FINANCIAL STATEMENTS**

## TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5

Balance Sheet  
 Governmental Funds  
 December 31, 2010

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 554,298.32		\$ 35,854.97		\$ 590,153.29
Deferred Charge:					
Overexpenditure of Appropriations	12,787.75				12,787.75
	<u>\$ 567,086.07</u>	<u>-</u>	<u>\$ 35,854.97</u>	<u>-</u>	<u>\$ 602,941.04</u>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 39,127.69				\$ 39,127.69
Payroll Deductions Payable	1,679.88				1,679.88
Total Liabilities	<u>40,807.57</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,807.57</u>
<b>Fund Balances:</b>					
<b>Reserved for:</b>					
Future Capital Outlays			\$ 35,854.97		35,854.97
<b>Unreserved:</b>					
<b>Undesignated, Reported in:</b>					
General Fund	526,278.50				526,278.50
Total Fund Balances	<u>526,278.50</u>	<u>-</u>	<u>35,854.97</u>	<u>-</u>	<u>562,133.47</u>
Total Liabilities and Fund Balances	<u>\$ 567,086.07</u>	<u>-</u>	<u>\$ 35,854.97</u>	<u>-</u>	

(Continued)

## TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5

Balance Sheet  
 Governmental Funds  
 December 31, 2010

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	Total Governmental <u>Funds</u>
Amounts reported for <i>governmental activities</i> in the statement of net assets (A-1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,929,350.16, and the accumulated depreciation is \$1,475,003.98.	\$ 1,454,346.18
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	21,981.42
Accrued interest payable is not due and payable in the current period and, therefore, is not reported as liabilities in the funds.	(11,085.82)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(1,085,573.26)</u>
Net assets of governmental activities	<u><u>\$ 941,801.99</u></u>

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

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2010

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES:					
Miscellaneous Anticipated Revenues	\$ 2,168.13				\$ 2,168.13
Operating Grant Revenue	2,463.00				2,463.00
Miscellaneous Revenues Offset with Appropriations	21,591.04				21,591.04
Amount to be Raised by Taxation to Support the District Budget	1,103,264.76			\$ 176,972.24	1,280,237.00
Non-Budgetary Revenues	<u>30,407.87</u>				<u>30,407.87</u>
Total Revenues	<u>1,159,894.80</u>	<u>-</u>	<u>-</u>	<u>176,972.24</u>	<u>1,336,867.04</u>
EXPENDITURES:					
Operating Appropriations:					
Administration	131,720.17				131,720.17
Cost of Operations and Maintenance	1,010,752.10				1,010,752.10
Operating Appropriations Offset with Revenues	13,922.50				13,922.50
Capital Appropriations			\$ 103,642.01		103,642.01
Debt Service				<u>176,972.24</u>	<u>176,972.24</u>
Total Expenditures	<u>1,156,394.77</u>	<u>-</u>	<u>103,642.01</u>	<u>176,972.24</u>	<u>1,437,009.02</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,500.03</u>	<u>-</u>	<u>(103,642.01)</u>	<u>-</u>	<u>(100,141.98)</u>
Net Change in Fund Balances	3,500.03	-	(103,642.01)	-	(100,141.98)
Fund Balance, January 1	<u>522,778.47</u>	<u>-</u>	<u>139,496.98</u>	<u>-</u>	<u>662,275.45</u>
Fund Balance, December 31	<u>\$ 526,278.50</u>	<u>-</u>	<u>\$ 35,854.97</u>	<u>-</u>	<u>\$ 562,133.47</u>

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

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5**  
 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, 2010

Total Net Change in Fund Balances - Governmental Funds		\$ (100,141.98)
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p>		
<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 amount by which capital outlays exceeded depreciation in the period.</p>		
Depreciation Expense	\$ (69,196.72)	
Capital Outlays	103,642.01	34,445.29
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.		108,300.00
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.		62,614.11
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.		(1,939.53)
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 (+).		(46,706.79)
Change in Net Assets of Governmental Activities		\$ 56,571.10

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

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5**  
Notes to Financial Statements  
For the Year Ended December 31, 2010

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**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of the Reporting Entity** - Fire District No. 5 of the Township of Gloucester ("the Fire District") is a political subdivision of the Fire District of Gloucester, Camden County, New Jersey. It was created in 1978 through 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. 5 of the Township of Gloucester has one fire company within its jurisdiction, the Lambs Terrace 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, 2010, it has been determined by the Fire District that no component units exist.

**Basis of Presentation** - The financial statements of the Township of Gloucester Fire District No. 5 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 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.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Basis of Presentation (Cont'd)**

**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 its 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 expenditures.

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

**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.

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

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

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

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

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

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

**Budgets / Budgetary Control** - The Fire District must adopt an annual budget in accordance with N.J.S.A. 40A:14-78.1 et al.

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

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

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

**Budgets / Budgetary Control (Cont'd)** - Subsequent to the adoption of the Fire District budget, the amount of money to be raised by taxation in support of the Fire District budget must appear on the ballot for the annual election for approval of the legal voters.

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

Amounts reported under "final budget" on Exhibit C-1 and I-3 includes modifications to the adopted budget that were made during the year as approved by the Board of Commissioners.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the General Fund Budgetary Comparison Schedule and the Special Revenue Fund Budgetary Comparison Schedule to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. Note that the Fire District does not report encumbrances outstanding at year end as expenditures in the general fund since the general fund budget follows modified accrual basis of accounting.

**Encumbrances** - Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as reservations of fund balances at year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

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

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

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

New Jersey governments are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 40A:5-15.1 provides a list of permissible investments that may be purchased by New Jersey governments.

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

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include State or federally chartered banks, savings banks or associations located in the State of New Jersey or state or federally chartered banks, savings banks or associations located in another state with a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

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

**Inventories and Prepaid Expenses** - Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in governmental fund types is recorded as expenditures when purchased rather than when consumed.

Prepaid expenses recorded in the governmental fund types, which benefit future periods, are recorded as an expenditure during the year of purchase. Prepaid expenses recorded on the district-wide financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2010.

**Short-Term Interfund Receivables / Payables** - Short-term interfund receivables / payables represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund in the Fire District and that are due within one year. These amounts are eliminated in the governmental column of the Statement of Net Assets.

**Capital Assets** - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide Statement of Net Assets but are not reported in the fund financial statements.

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	30 Years
Buildings and Improvements	5 Years
Furniture and Equipment	5 Years
Vehicles	5-10 Years

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

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

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

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

**Net Assets** - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Fire District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Fire District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Fund Balance Reserves** - The Fire District reserves portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation for expenditures. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Fund balance reserves are established for encumbrances, legally restricted appropriations, and future capital outlays.

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

**Note 2: CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk Related to Deposits** - Custodial credit risk is the risk that, in the event of a bank failure, the Borough's deposits might not be recovered. Although the Borough does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Fire District relative to the happening of a future condition.

As of December 31, 2010, the Fire District's bank balances of \$555,141.57 were not exposed to custodial credit risk.

**Note 3: INVESTMENTS**

**Custodial Credit Risk** – For an investment, custodial credit risk is the 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 Fire District's investments are in certificates of deposit and are in the Fire District's name.

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Fire District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. N.J.S.A. 40A:5-15.1 limits the investments that the Fire District may purchase such as Treasury securities in order to limit the exposure of governmental units to credit risk. The Fire District has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk** – The Fire District does not place a limit on the amount that may be invested in any one issuer. All of the Fire District's investments are either in treasury obligations, money market funds, GNMA's or direct Treasury Securities.

As of December 31, 2010, the Fire District had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Fair Value</u>
Certificate of Deposit	12/31/2010	N/A	<u>\$ 44,104.63</u>

**Note 4: PROPERTY TAX LEVIES**

Following is a tabulation of Fire District assessed valuations, tax levies and property tax rates per \$100.00 of assessed valuations for the current and preceding four years:

<u>Year</u>	<u>Assessed Valuation</u>	<u>Total Tax Levy</u>	<u>Tax Rate</u>
2010	\$ 773,636,700.00	\$ 1,280,237.00	\$.165 *
2009	430,535,855.00	1,261,250.00	.293
2008	428,669,514.00	1,261,150.00	.294
2007	424,948,948.00	1,153,973.04	.272
2006	415,641,008.00	1,127,531.30	.271

\* - Revaluation

**Note 5: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2010 was as follows:

	<u>Balance</u> <u>Jan. 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>Dec. 31, 2010</u>
Land				
Construction in Progress	\$ 1,067,264.94	\$ 103,642.01	-	-
Total Capital Assets not being Depreciated	<u>1,067,264.94</u>	<u>103,642.01</u>	<u>\$ (1,170,906.95)</u>	<u>-</u>
Land Improvements				
Buildings and Improvements	450,382.58	1,170,906.95		\$ 1,621,289.53
Fire Equipment	118,744.56			118,744.56
Office Equipment	14,165.07			14,165.07
Vehicles and Apparatus	1,175,151.00			1,175,151.00
Total Capital Assets being Depreciated	<u>1,758,443.21</u>	<u>1,170,906.95</u>	<u>-</u>	<u>2,929,350.16</u>
Less Accumulated Depreciation:				
Land Improvements				
Buildings and Improvements	(438,068.74)	(684.10)		(438,752.84)
Vehicles and Apparatus	(908,319.64)	(52,488.10)		(960,807.74)
Fire Equipment	(48,339.78)	(14,995.87)		(63,335.65)
Office Equipment	(11,079.10)	(1,028.65)		(12,107.75)
Total Accumulated Depreciation	<u>(1,405,807.26)</u>	<u>(69,196.72) *</u>	<u>-</u>	<u>(1,475,003.98)</u>
Total Capital Assets being Depreciated, net of Accumulated Depreciation	<u>352,635.95</u>	<u>1,101,710.23</u>		<u>1,454,346.18</u>
Capital Assets, net	<u>\$ 1,419,900.89</u>	<u>\$ 1,205,352.24</u>	<u>\$ (1,170,906.95)</u>	<u>\$ 1,454,346.18</u>

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

Cost of Operations and Maintenance	<u>\$ 69,196.72</u>
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**Note 6: LONG-TERM OBLIGATIONS**

During the year ended December 31, 2010, the following changes occurred in long-term obligations:

	<u>Principal</u> <u>Outstanding</u> <u>Jan. 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Principal</u> <u>Outstanding</u> <u>Dec. 31, 2010</u>	<u>Due Within</u> <u>One Year</u>
General Serial Bonds	\$ 1,080,000.00		\$ (60,000.00)	\$ 1,020,000.00	\$ 70,000.00
Obligations under Capital Lease	128,187.37		(62,614.11)	65,573.26	65,573.26
Total Governmental Activities Long-term Liabilities	<u>\$ 1,208,187.37</u>	<u>-</u>	<u>\$ (122,614.11)</u>	<u>\$ 1,085,573.26</u>	<u>\$ 135,573.26</u>

**Note 6: LONG-TERM OBLIGATIONS (CONT'D)**

**Bonds Payable** - Bonds and loans are authorized in accordance with State law by the voters of the Fire District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Fire District are general obligation bonds.

On April 26, 2007, the Fire District issued \$1,200,000.00 general obligation bonds at an interest rate of 4.60% for various construction and renovation projects. The final maturity of these bonds is April 15, 2022. The bonds will be paid from property taxes.

Principal and interest due on bonds outstanding is as follows:

<b>Year Ending <u>Dec. 31,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2011	\$ 70,000.00	\$ 45,310.00	\$ 115,310.00
2012	70,000.00	42,090.00	112,090.00
2013	70,000.00	38,870.00	108,870.00
2014	80,000.00	35,420.00	115,420.00
2015	80,000.00	31,740.00	111,740.00
2016-2020	450,000.00	99,590.00	549,590.00
2021-2022	200,000.00	9,200.00	209,200.00
	<u>\$ 1,020,000.00</u>	<u>\$ 302,220.00</u>	<u>\$ 1,322,220.00</u>

**Capital Leases Payable** - The Fire District is leasing fire apparatus and property totaling \$419,206.00 under capital leases. All capital leases are for terms of three to ten years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at December 31, 2010.

<b>Year Ending <u>Dec. 31,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2011	<u>\$ 65,573.26</u>	<u>\$ 3,098.98</u>	<u>\$ 68,672.24</u>

**Note 7: PENSION PLANS**

The Township of Gloucester Fire District No. 5 contributes to two cost-sharing multiple-employer defined benefit pension plans, the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), which are administered by the New Jersey Division of Pensions and Benefits. In addition, certain Fire District employees can participate in the Defined Contribution Retirement Program (DCRP), which is a defined contribution pension plan and is also administered by the New Jersey Division of Pensions and Benefits. As of December 31, 2010, there are no Fire District employees participating in the DCRP. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

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

**Public Employees' Retirement System** - The PERS was established in 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Fire District is billed annually for its normal contribution plus any accrued liability. These contributions, equal to the required contributions, were as follows:

<u>Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Funded by State</u>	<u>Paid by Fire District</u>
2010	\$ 1,238.00	\$ 1,207.00	\$ 2,445.00		\$ 2,445.00
2009	1,251.00	1,141.00	2,392.00		2,392.00
2008	1,252.00	965.00	2,217.00	\$ 443.40	1,773.60 <sup>(1)</sup>

**Police and Firemen's Retirement System** - The PFRS was established in 1944. The PFRS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:16A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 204, P.L. 1989, plan members enrolled in the Police and Firemen's Retirement System are required to contribute 8.5% of their annual covered salary. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

**Note 7: PENSION PLANS (CONT'D)**

**Police and Firemen's Retirement System (Cont'd)** - The Fire District is billed annually for its normal contribution plus any accrued liability. These contributions, equal to the required contributions, were as follows:

<u>Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Funded by State</u>	<u>Paid by Fire District</u>
2010	\$ 45,774.00	\$ 29,999.00	\$ 75,773.00		\$ 75,773.00
2009	43,219.00	27,959.00	71,178.00		71,178.00
2008	33,626.00	19,871.00	53,497.00		53,497.00

**Defined Contribution Retirement Program** - The Defined Contribution Retirement Program (DCRP) is a cost-sharing multiple-employer defined contribution pension fund which was established in 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist. In addition to the employee contributions, the Fire District's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period. As of December 31, 2010, the Fire District has no employees enrolled in this plan.

**Related Party Investments** - The Division of Pensions and Benefits does not invest in securities issued by the Fire District.

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(1) Under the provisions of Chapter 108, P.L. 2003 the Fire District's share of the total normal contribution and accrued liability will increase approximately 20% per year until the Fire District is paying 100% of the total normal contribution and accrued liability.

**Note 8: POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN**

**Plan Description** - The Fire District contributes to the New Jersey State Health Benefits Program ("the SHBP"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SHBP provides medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program Act is found in the New Jersey Statutes Annotated, Title 52, Article 17.25 et. seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295.

**Note 8: POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN (CONT'D)**

**Funding Policy** - Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 requires the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2007, there were 75,860 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62.

Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning July 1, 1993 with an additional contribution beginning July 1, 1995 to maintain a medical reserve of one half of one percent of the active State payroll.

The State's contribution rate is based on the *annual required contribution (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

The State is also responsible for the cost attributable to P.L. 1992 c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a school district or county college with 25 years of service. The State paid \$116.0 million toward Chapter 126 benefits for 12,545 eligible retired members in Fiscal Year 2008.

**Note 9: RISK MANAGEMENT**

The Fire District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

**Property and Liability Insurance** - The Fire District maintains commercial insurance coverage for property, liability, and surety bonds.

**New Jersey Unemployment Compensation Insurance** - The Fire District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributions Method". Under this plan, a contribution rate is established annually for the Fire District's share of unemployment tax. This rate is based on cost experience for all government employees.

**Joint Insurance Pool** - The Fire District is a member of the First Responder Joint Insurance Fund.

The Fund provides the Fire District with the following coverage:

Worker's Compensation and Employer's Liability

Annual contributions to the Fund are determined by the Fund's Board of Trustees. The Fire District is jointly and personally liable for claims insured by the Fund and its members during the period of its membership, including liability for supplemental assessments, if necessary. The Fund's Board of Trustees may authorize refunds to its members in any fund year for which contributions exceed the amount necessary to fund all obligations for that year.

**Note 10: COMPENSATED ABSENCES**

Full-time employees are entitled to fifteen paid sick leave days each year. Unused sick leave may be accumulated and carried forward for an unlimited amount of time. Full-time employees are also entitled to one floating holiday per year, which may be used within the current year or sold back to the Board for straight time compensation. Vacation days not used during the year may be accumulated and carried forward, but must be utilized in the following year. The Board will monetarily reimburse vacation days not used within the current year, but only up to a maximum of ten days. Lastly, full-time employees are granted, upon request, three personal leave days per year that may be accumulated on an unlimited basis.

The Fire District compensates employees for unused sick, holiday, vacation or other leave provided in their contract upon termination or retirement provided that the employee is retiring after twenty-five years of service pursuant to N.J.S.A. 43:16a-5 or as a result of a disability pension, whether work related or not. Payments are based on the rate of pay at retirement calculated on the base annual compensation and are to be paid out over three years.

Based upon the policy as documented above, no liability exists for accrued benefits for compensated absences at December 31, 2010.

**Note 11: INTERFUND RECEIVABLES AND PAYABLES**

As of December 31, 2010, no interfund receivables or payables existed on the balance sheets of the governmental funds.

**Note 12: FUND BALANCES APPROPRIATED**

The 2011 annual budget of the Fire District was adopted on December 7, 2010 and subsequently approved by the voters at the annual election. The budget does not utilize any General fund balance.

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

<u>Year</u>	<u>Balance Dec. 31</u>	<u>Utilization in Subsequent Budget</u>
2010	\$ 526,278.50	-
2009	495,002.41	\$ 12,934.00
2008	393,976.18	-
2007	496,663.61	-
2006	115,056.24	-

**Note 13: FUND BALANCES****RESERVED**

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

**For Future Capital Outlays** - These funds are restricted for future capital expenditures to be made in future years. When the Fire District desires to utilize these funds in their annual budget, a capital resolution must be passed by the Board of Fire Commissioners prior to any expenditure against a capital appropriation. As of December 31, 2010, the balance is \$35,854.97.

**UNRESERVED**

The unreserved fund balance at December 31, 2010 of \$526,278.50 is undesignated.

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

## **BUDGETARY COMPARISON SCHEDULES**

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended December 31, 2010

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>	<u>Over- Expended</u>
<b>REVENUES:</b>						
Miscellaneous Anticipated Revenues:						
Interest on Investments and Deposits	\$ 2,000.00		\$ 2,000.00	\$ 2,168.13	\$ 168.13	
Operating Grant Revenue:						
Supplemental Fire Services Grant (P.L. 1985, Ch. 295)	2,463.00		2,463.00	2,463.00	-	
Miscellaneous Revenues Offset with Appropriations						
Uniform Fire Safety Act (P.L. 1983, Ch. 383):						
Annual Registration Fees	7,000.00		7,000.00	10,151.04	3,151.04	
Penalties and Fines	500.00		500.00		(500.00)	
Other Revenues	7,000.00		7,000.00	11,440.00	4,440.00	
Total Miscellaneous Revenues Offset with Appropriations	14,500.00	-	14,500.00	21,591.04	7,091.04	
Amount to be Raised by Taxation to Support the District Budget	1,103,263.00	-	1,103,263.00	1,103,264.76	1.76	
Total Anticipated Revenues	1,122,226.00	-	1,122,226.00	1,129,486.93	7,260.93	
Non-Budgetary Revenues:						
Miscellaneous				30,407.87	30,407.87	
Total Revenues	1,122,226.00	-	1,122,226.00	1,159,894.80	37,668.80	

(Continued)

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended December 31, 2010

	Original Budget	Budget Modifications / Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual	Over- Expended
EXPENDITURES:						
Operating Appropriations:						
Administration:						
Salary and Wages:						
Commissioners	\$ 7,032.00	\$ (239.04)	\$ 6,792.96	\$ 6,792.96		
Commissioner - Treasurer	5,316.00		5,316.00	5,316.00		
Commissioner Secretary	4,716.00	(53.96)	4,662.04	4,662.04		
Commissioner - Personnel Director	19,317.00		19,317.00	19,316.04	\$ 0.96	
Accountant	8,000.00	(2,593.75)	5,406.25	5,406.25		
Solicitor	5,000.00	(1,305.00)	3,695.00	3,695.00		
Clerk	8,500.00	138.17	8,638.17	8,638.17		
Fringe Benefits	11,764.00	(2,800.00)	8,964.00	8,890.92	73.08	
Other Expenses:						
Election	1,000.00	(671.25)	328.75	328.75		
Insurance	40,000.00	(1,037.00)	38,963.00	38,963.00		
Memberships / Dues	1,000.00	(607.50)	392.50	392.50		
Office Expenses	8,000.00	1,407.51	9,407.51	9,407.51		\$ 97.19
Professional Services	13,000.00		13,000.00	11,995.31	1,004.69	
Travel Expenses	1,000.00	(1,000.00)				65.65
Reimbursement for Expenses & Losses	8,000.00	(84.28)	7,915.72	7,915.72		
<b>Total Administration</b>	<b>141,645.00</b>	<b>(8,846.10)</b>	<b>132,798.90</b>	<b>131,720.17</b>	<b>1,078.73</b>	<b>162.84</b>
Cost of Operations and Maintenance:						
Salary and Wages:						
Firefighters, Supervisor	76,315.00	(334.35)	75,980.65	75,980.65		
Fire Official (Funded by Taxation)	72,931.00	39.60	72,970.60	72,970.60		0.42
Firefighter, Asst. Supervisor	75,205.00	221.31	75,426.31	75,426.31		
Firefighter S	73,115.00	(12,121.72)	60,993.28	60,993.28		
Operations Overtime	43,000.00	14,972.90	57,972.90	57,972.90		
Mechanic	25,000.00	(7,339.00)	17,661.00	17,661.00		
Firefighter R	69,216.00	51.95	69,267.95	69,267.95		
Fringe Benefits	247,683.50	11,000.00	258,683.50	258,683.50		2,327.57
Other Expenses:						
Supplemental Fire Services Grant	2,463.00		2,463.00	2,463.00		
Fire Prevention - Promotion	8,000.00	(875.61)	7,124.39	7,124.39		
Advertising	1,500.00	(1,140.30)	359.70	359.70		

(Continued)

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended December 31, 2010

	Original <u>Budget</u>	Budget Modifications / <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>	Over- <u>Expended</u>
EXPENDITURES (CONT'D):						
Operating Appropriations (Cont'd):						
Cost of Operations and Maintenance (Cont'd):						
Other Expenses (Cont'd):						
Maintenance and Repair - Buildings and Grounds	\$ 25,000.00	\$ (6,143.58)	\$ 18,856.42	\$ 18,856.42		\$ 1,438.19
Rental Charges	140,000.00		140,000.00	140,000.00		4,796.10
Training / Education	5,000.00	(3,009.50)	1,990.50	1,990.50		60.00
Uniforms	10,000.00	(2,840.23)	7,159.77	7,159.77		734.00
Utilities	32,000.00	(2,283.08)	29,716.92	29,716.92		2,447.65
Maintenance and Repair - Vehicles	32,000.00	24,000.00	56,000.00	56,000.00		820.98
Maintenance and Repair - Fire Equipment	5,000.00	(3,778.32)	1,221.68	1,221.68		
Maintenance and Repair - Firefighting Gear	2,500.00	(2,192.57)	307.43	307.43		
Computer and Related Computer Equipment	2,000.00	2,333.30	4,333.30	4,333.30		
Fire Equipment	35,000.00	6,739.52	41,739.52	41,739.52		
Radios	3,000.00	(1,117.75)	1,882.25	1,882.25		
Firefighters' Gear	13,000.00	(4,358.97)	8,641.03	8,641.03		
FSA Prevention	1,200.00	(1,200.00)				
FSA Suppression	1,200.00	(1,200.00)				
Total Cost of Operations and Maintenance	<u>1,001,328.50</u>	<u>9,423.60</u>	<u>1,010,752.10</u>	<u>1,010,752.10</u>	<u>-</u>	<u>12,624.91</u>
Operating Appropriations Offset with Revenues:						
Salary and Wages	14,500.00	(577.50)	13,922.50	13,922.50	-	-
Total Expenditures	<u>1,157,473.50</u>	<u>-</u>	<u>1,157,473.50</u>	<u>1,156,394.77</u>	<u>\$ 1,078.73</u>	<u>12,787.75</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(35,247.50)</u>	<u>-</u>	<u>(35,247.50)</u>	<u>3,500.03</u>	<u>38,747.53</u>	<u>12,787.75</u>
Fund Balance, January 1				<u>522,778.47</u>		
Fund Balance, December 31				<u>\$ 526,278.50</u>		

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5**

Required Supplementary Information

Budgetary Comparison Schedule

Note to RSI

For the Year Ended December 31, 2010

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

	General Fund	Special Revenue Fund
Sources / Inflows of Resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule.	\$ 1,159,894.80	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	-	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	\$ 1,159,894.80	-
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	\$ 1,156,394.77	
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	\$ 1,156,394.77	-

**OTHER SUPPLEMENTARY INFORMATION**

**CAPITAL PROJECTS FUND**

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5**  
 Capital Projects Fund  
 Summary Statement of Project Expenditures  
 For the Year Ended December 31, 2010

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<u>Project Title / Issue</u>	<u>Original Date</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance Dec. 31, 2010</u>
			<u>Prior Years</u>	<u>Current Year</u>	
Expansion of Fire Station	04/26/2007	\$ 1,200,000.00	\$ 1,096,357.99	\$ 103,642.01	-
Recapitulation of Current Year Expenditures:					

## **LONG-TERM DEBT**



**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5**  
 Schedule of Obligations Under Capital Leases  
 For the Year Ended December 31, 2010

<u>Description</u>	<u>Date of Lease</u>	<u>Term of Lease</u>	<u>Amount of Original Issue</u>		<u>Interest Rate Payable</u>	<u>Amount Outstanding Jan. 1, 2010 (a)</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding Dec. 31, 2010 (a)</u>
			<u>Principal</u>	<u>Interest</u>					
New Fire Engine: Seagrave Fire Apparatus	10/01/04	7 years	\$ 419,206.00	\$ 61,499.68	4.73%	<u>\$ 128,187.37</u>	<u>-</u>	<u>\$ 62,614.11</u>	<u>\$ 65,573.26</u>

(a) Future Interest Payments Removed from Carrying Value of Leases.

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5**  
 Budgetary Comparison Schedule  
 Debt Service Fund  
 For the Year Ended December 31, 2010

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
<b>REVENUES:</b>					
Amount of be Raised by Taxation to Support the District Budget	\$ 176,974.00	-	\$ 176,974.00	\$ 176,972.24	\$ (1.76)
<b>EXPENDITURES:</b>					
Principal Payments:					
Capital Leases	62,615.00		62,615.00	62,614.11	0.89
General Obligation Bonds	60,000.00		60,000.00	60,000.00	
Interest Payments:					
Capital Leases	6,059.00		6,059.00	6,058.13	0.87
General Obligation Bonds	48,300.00		48,300.00	48,300.00	
Total Expenditures	176,974.00	-	176,974.00	176,972.24	1.76
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balance, January 1				-	
Fund Balance, December 31				-	

## **SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5**  
Schedule of Findings and Recommendations  
For the Year Ended December 31, 2010

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***Schedule of Financial Statement Findings***

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

**Finding No. 2010-1**

**Criteria or Specific Requirement**

New Jersey Laws and Regulations require a legal appropriation prior to the commitment of expenditure of the Fire District's funds.

**Condition**

The Fire District overexpended budget line-items from the 2010 budget by \$12,787.75.

**Context**

The overexpenditures were discovered when comparing the Fire District's expenditures to the 2010 budget appropriations.

**Effect**

The Fire District is not in compliance with the New Jersey laws and regulations covering budgeting and expending of Fire District Funds.

**Cause**

There was a failure to have effective controls in place over budgeting for appropriations and expending funds from the Fire District appropriations.

**Recommendation**

That the Fire District establish effective controls over budgeting and over expenditures to assure that a legal appropriation is sufficient to cover expenditures prior to the commitment and or disbursement of funds.

**View of Responsible Officials and Planned Corrective Action**

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5**  
Schedule of Findings and Recommendations  
For the Year Ended December 31, 2010

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***Schedule of Financial Statement Findings (Cont'd)***

**Finding No. 2010-2**

**Criteria or Specific Requirement**

In accordance with N.J.A.C. 5:31-7.6(i), (h), and (g), the Board of Fire Commissioners are required to perform the post audit matters referred to below.

**Condition**

With respect to the filing of the Report of Audit for the year ended December 31, 2009:

1. The Board of Fire Commissioners did not prepare a corrective action plan and file a copy with the Bureau of Authority Regulation.
2. The Board of Fire Commissioners did not advertise a synopsis of the annual audit and file it with the Bureau of Authority Regulation.
3. The Board of Fire Commissioners did not certify by resolution, to the Local Finance Board that each member reviewed the annual report of audit, specifically, the section entitled "Findings and Recommendations".

**Context**

The Fire District's failure to comply with N.J.A.C. 5:31-7.6(i), (h), and (g) was discovered when reviewing the Fire Districts minutes and resolutions for 2010.

**Effect**

The Board of Fire Commissioners has not complied with the regulations.

**Cause**

Failure to follow rules promulgated by the New Jersey Administrative Code.

**Recommendation**

That the Board of Fire Commissioners comply with all filings and other matters required subsequent to the filing of the annual audit, specifically, the corrective action plan, advertisement of the synopsis of the annual audit and certification by resolution to the Local Finance Board that each member reviewed the annual report of audit in accordance with the Code.

**View of Responsible Officials and Planned Corrective Action**

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5**  
Summary Schedule of Prior Year Audit Findings  
And Recommendations as Prepared by Management

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This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

**FINANCIAL STATEMENT FINDINGS**

**Finding No. 2009-1**

**Condition**

Through our audit of disbursements, the following issues were revealed:

- 1) For several purchases in excess of 15% of the bid threshold, evidence that at least one additional quote was obtained prior to making the purchase was not maintained on file at the Fire District.
- 2) For several vouchers, the required claimant certifications were not obtained prior to making payment.

**Current Status**

This condition has been resolved.

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**APPRECIATION**

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bowman & Company LLP", written in a cursive style.

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

