

FIRE DISTRICT NO. 5
TOWNSHIP OF GLOUCESTER, NEW JERSEY
REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2011

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

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

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

Board of Commissioners

<u>Name</u>	<u>Title</u>	<u>Amount of Surety Bond</u>
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, 2011, which collectively comprise the Fire District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of 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, 2011, 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 10, 2012 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 considered in assessing the results of our audit.

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

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 as a whole. 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Donald A. ...".

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
April 10, 2012

**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, 2011, and have issued our report thereon dated April 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Township of Gloucester Fire District No. 5 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Fire District'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.: 2011-1. 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 an instance 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, Department of Community Affairs, State of New Jersey which is described in the accompanying Schedule of Findings and Recommendations as finding no.: 2011-1.

The Township of Gloucester Fire District No. 5's response to the finding 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 management of the Fire District, others within the Fire District, the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey 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 10, 2012

**REQUIRED SUPPLEMENTARY INFORMATION
PART I**

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

As management of the Township of Gloucester Fire District No. 5 (the "Fire District"), we offer readers of the Fire District's financial statements this narrative overview and analysis of the financial activities of the Fire District for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the Fire District's financial performance as a whole; readers should also review the information furnished in the notes to the basic financial statements and financial statements to enhance their understanding of the Fire District's financial performance.

Financial Highlights

- The assets of the Fire District exceeded its liabilities at the close of the most recent year by \$1,048,190.11 (net assets).
- As of the close of the current year, the Fire District's governmental funds reported combined ending fund balances of \$615,267.69, an increase of \$53,134.22 in comparison with the prior year. The increase was attributable to the results of operations in the General Fund and decreased amounts due for debt service.
- At the end of the current year, unreserved fund balance for the general fund was \$566,624.72, approximately a 10.1 percent increase from that of the prior year.
- The Fire District during 2011 made their final capital lease payment on a fire apparatus.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Fire District's basic financial statements. The Fire District's basic financial statements comprise three components: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements themselves.

District-wide Financial Statements. The district-wide financial statements are designed to provide readers with a broad overview of the Fire District's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Fire District'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 Fire District is improving or deteriorating.

The Statement of Activities presents information showing how the Fire District's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., accrued interest on capital leases).

Both of the district-wide financial statements distinguish functions of the Fire District that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Fire District include fire-fighting and emergency medical services, which are provided to the citizens of the Township of Gloucester residing within 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 Fire District, 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 Fire District constitute one fund type, governmental funds.

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited) (Cont'd)

Governmental Funds. All of the Fire District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Fire District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance fire-fighting and emergency medical services operations.

The Fire District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special revenue fund, capital projects fund, and debt service fund.

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

Also, the Fire District adopts an annual budget in accordance with N.J.S.A. 40A:14-78.3. Budgetary comparison schedules have been provided to demonstrate compliance with the budget.

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

District-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Fire District, assets exceeded liabilities by \$1,048,190.11 at the close of the most recent year.

A significant portion of the Fire District's net assets (43.4 percent) reflects its investment in capital assets (i.e., fire apparatus and equipment); less any related debt used to acquire those assets that is still outstanding. The Fire District uses these assets to provide fire-fighting and emergency medical services to the citizens of the Township of Gloucester residing within District No. 5; consequently, these assets are not available for future spending. Although the Fire District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited) (Cont'd)

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 1'S NET ASSETS		
DECEMBER 31,		
	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 673,516.75	\$ 624,922.46
Capital Assets	<u>1,385,149.46</u>	<u>1,454,346.18</u>
Total Assets	<u>2,058,666.21</u>	<u>2,079,268.64</u>
Long-term Liabilities Outstanding	892,921.98	950,000.00
Other Liabilities	<u>117,554.12</u>	<u>187,466.65</u>
Total Liabilities	<u>1,010,476.10</u>	<u>1,137,466.65</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	455,191.35	390,754.34
Restricted	35,854.97	35,854.97
Unrestricted	<u>557,143.79</u>	<u>515,192.68</u>
Total Net Assets	<u>\$ 1,048,190.11</u>	<u>\$ 941,801.99</u>

An additional portion of the Fire District's net assets (3.42 percent) represents resources that are subject to external restrictions on how they may be used.

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

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5'S STATEMENT OF ACTIVITIES		
FOR THE YEARS ENDED DECEMBER 31,		
	<u>2011</u>	<u>2010</u>
Expenses:		
Operating Appropriations:		
Administration	\$ 136,371.37	\$ 131,720.17
Cost of Operations and Maintenance	1,115,297.33	1,079,948.82
Operating Appropriations Offset with Revenues	12,864.00	13,922.50
Unallocated Depreciation and Amortization	1,939.53	1,939.53
Interest on Long-Term Debt	<u>46,670.11</u>	<u>52,764.92</u>
Total Program Expenses	<u>1,313,142.34</u>	<u>1,280,295.94</u>
Program Revenues:		
Charges for Services	29,076.14	21,591.04
Operating Grants and Contributions	<u>2,463.00</u>	<u>2,463.00</u>
Net Program Expenses	<u>1,281,603.20</u>	<u>1,256,241.90</u>

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited) (Cont'd)

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5'S STATEMENT OF ACTIVITIES		
FOR THE YEARS ENDED DECEMBER 31,		
	<u>2011</u>	<u>2010</u>
General Revenues		
Taxes:		
Property Taxes, Levied for General Purposes	\$ 1,200,451.76	\$ 1,103,264.76
Taxes Levied for debt Service	183,982.24	176,972.24
Unrestricted Investment Earnings	2,211.59	2,168.13
Miscellaneous Income	1,345.73	30,407.87
	<u>1,387,991.32</u>	<u>1,312,813.00</u>
Total General Revenues		
	106,388.12	56,571.10
Increase in Net Assets		
Net Assets, January 1	<u>941,801.99</u>	<u>885,230.89</u>
Net Assets, December 31	<u><u>\$ 1,048,190.11</u></u>	<u><u>\$ 941,801.99</u></u>

Property taxes constituted 84.6% of revenues for governmental activities for the Fire District for the year 2011.

Cost of operations and maintenance comprises 84.9% of Fire District expenses, with administration comprising 10.4% of total expenses.

Financial Analysis of the Fire District's Funds

As stated earlier, the Fire District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund. The focus of the Fire District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Fire District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the Fire District's governmental funds reported combining ending fund balances of \$615,267.69, an increase of \$53,134.22 in comparison with the prior year. The increase was attributable to the results of operations in the General Fund and decreased amounts due for debt service.

Of the combined ending fund balances of \$615,267.69, 92.09% constitutes unreserved fund balance in the amount of \$566,624.72. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to fund the purchase of future capital purchases.

The general fund is the main operating fund of the Fire District. At the end of the current year, total fund balance of the general fund was \$579,412.72. Of this amount, \$12,788.00 has been designated for the subsequent year's expenditures.

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5
 Management's Discussion and Analysis
 For the Year Ended December 31, 2011
 (Unaudited) (Cont'd)

The fund balance of the Fire District's general fund increased by \$53,134.22 during the current year. Key factors in this increase are as follows:

- There was a decrease in the Debt Service costs of \$65,573.24.

The capital projects fund had fund balance of \$35,854.97.00 at the end of the current and previous year.

General Fund Budgetary Highlights

For the year 2011, the Fire District's budget, as approved by the voters, included a budgetary basis revenue estimate of \$1,182,414.00. The original budgeted estimate, as introduced and approved by the voters, was not amended.

During the year 2011, the Fire District budgeted \$1,164,451.00 and \$2,463.00 for property taxes (local tax levy) and state aid revenues (supplemental fire services grant), respectively.

The final budgetary basis expenditure appropriation estimate, \$1,182,414.00.00 was not amended and, therefore, was identical to the amount introduced and approved by the voters.

Capital Asset and Debt Administration

Capital Assets. The Fire District's investment in capital assets for its governmental activities as of December 31, 2011 amounts to \$1,385,149.46 (net of accumulated depreciation and related debt). This investment in capital assets includes fire apparatus and various types of equipment.

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5'S CAPITAL ASSETS		
(NET OF ACCUMULATED DEPRECIATION)		
DECEMBER 31,		
	<u>2011</u>	<u>2010</u>
Buildings	\$ 1,181,852.59	\$ 1,182,536.69
Vehicles and Apparatus	161,855.16	214,343.26
Equipment	<u>41,441.71</u>	<u>57,466.23</u>
Total	<u><u>\$ 1,385,149.46</u></u>	<u><u>\$ 1,454,346.18</u></u>

Additional information on the Fire District's capital assets can be found in Note 6.

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited) (Cont'd)

Long-term Debt. At the end of the current year, the Fire District had made their final payment on their capital lease.

Economic Factors and Next Year's Budget

For the 2011 year, the Fire District was able to sustain its budget through the township tax levy, state aid, and miscellaneous revenue sources. The 2012 budget was adopted on December 29, 2011 by the Commissioners, and the voters subsequently approved the budget at the annual fire district election held on February 19, 2012.

Requests for Information

This financial report is designed to provide a general overview of the Fire District's finances for all those with an interest in the Fire District's finances. Questions concerning any of the information provided in this report or requests for additional financial 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, 2011

ASSETS:

Cash and Cash Equivalents	\$ 540,257.11
Investments (Note 3)	44,874.27
Deferred Assets:	
Bond Issuance Costs	20,041.89
Overexpenditure of Appropriations (Note 4)	32,488.51
Restricted Assets:	
Restricted Cash and Cash Equivalents	35,854.97
Capital Assets, net (Note 6)	<u>1,385,149.46</u>
Total Assets	<u><u>2,058,666.21</u></u>

LIABILITIES:

Accounts Payable	38,207.17
Accrued Interest Payable	9,346.95
Noncurrent Liabilities (Note 7):	
Due within One Year	70,000.00
Due beyond One Year	<u>892,921.98</u>
	<u><u>1,010,476.10</u></u>

NET ASSETS:

Invested in Capital Assets, Net of Related Debt	455,191.35
Restricted for:	
Capital Projects	35,854.97
Unrestricted	<u>557,143.79</u>
Total Net Assets	<u><u>\$ 1,048,190.11</u></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, 2011

Expenses:	
Operating Appropriations:	
Administration	\$ 136,371.37
Cost of Operations and Maintenance	1,115,297.33
Operating Appropriations Offset with Revenues	12,864.00
Unallocated Depreciation and Amortization	1,939.53
Interest on Long-Term Debt	46,670.11
	<hr/>
Total Program Expenses	1,313,142.34
	<hr/>
Program Revenues:	
Charges for Services	29,076.14
Operating Grants and Contributions	2,463.00
	<hr/>
Net Program Expenses	1,281,603.20
	<hr/>
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	1,200,451.76
Taxes Levied for Debt Service	183,982.24
Unrestricted Investment Earnings	2,211.59
Miscellaneous Income	1,345.73
	<hr/>
Total General Revenues	1,387,991.32
	<hr/>
Increase in Net Assets	106,388.12
Net Assets, January 1	941,801.99
	<hr/>
Net Assets, December 31	<u><u>\$ 1,048,190.11</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, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and Cash Equivalents	\$ 540,257.11		\$ 35,854.97		\$ 576,112.08
Investments	44,874.27				44,874.27
Deferred Charge:					
Overexpenditure of Appropriations	32,488.51				32,488.51
	<u>\$ 617,619.89</u>	<u>-</u>	<u>\$ 35,854.97</u>	<u>-</u>	<u>\$ 653,474.86</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 37,741.92				\$ 37,741.92
Payroll Deductions Payable	465.25				465.25
Total Liabilities	<u>38,207.17</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,207.17</u>
Fund Balances:					
Restricted:					
Future Capital Outlays			\$ 35,854.97		35,854.97
Assigned:					
Designated for:					
Subsequent Year's Expenditures	12,788.00				12,788.00
Unassigned:	566,624.72				566,624.72
Total Fund Balances	<u>579,412.72</u>	<u>-</u>	<u>35,854.97</u>	<u>-</u>	<u>615,267.69</u>
Total Liabilities and Fund Balances	<u>\$ 617,619.89</u>	<u>-</u>	<u>\$ 35,854.97</u>	<u>-</u>	

(Continued)

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5

Balance Sheet
 Governmental Funds
 December 31, 2011

	Total Governmental Funds
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 \$1,544,200.70.	\$ 1,385,149.46
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	20,041.89
Accrued interest payable is not due and payable in the current period and, therefore, is not reported as liabilities in the funds.	(9,346.95)
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>(962,921.98)</u>
Net assets of governmental activities	<u><u>\$ 1,048,190.11</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, 2011

	<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	\$ 2,211.59				\$ 2,211.59
Operating Grant Revenue	2,463.00				2,463.00
Miscellaneous Revenues Offset with Appropriations	29,076.14				29,076.14
Amount to be Raised by Taxation to Support the District Budget	1,200,451.76			\$ 183,982.24	1,384,434.00
Non-Budgetary Revenues	<u>1,345.73</u>				<u>1,345.73</u>
Total Revenues	<u>1,235,548.22</u>	<u>-</u>	<u>-</u>	<u>183,982.24</u>	<u>1,419,530.46</u>
EXPENDITURES:					
Operating Appropriations:					
Administration	136,371.37				136,371.37
Cost of Operations and Maintenance	1,033,178.63				1,033,178.63
Operating Appropriations Offset with Revenues	12,864.00				12,864.00
Debt Service				<u>183,982.24</u>	<u>183,982.24</u>
Total Expenditures	<u>1,182,414.00</u>	<u>-</u>	<u>-</u>	<u>183,982.24</u>	<u>1,366,396.24</u>
Excess (Deficiency) of Revenues over Expenditures	<u>53,134.22</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,134.22</u>
Net Change in Fund Balances	53,134.22	-	-	-	53,134.22
Fund Balance, January 1	<u>526,278.50</u>	<u>-</u>	<u>\$ 35,854.97</u>	<u>-</u>	<u>562,133.47</u>
Fund Balance, December 31	<u>\$ 579,412.72</u>	<u>-</u>	<u>\$ 35,854.97</u>	<u>-</u>	<u>\$ 615,267.69</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, 2011

Total Net Change in Fund Balances - Governmental Funds	\$ 53,134.22
<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)
<p>Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.</p>	
	115,310.00
<p>Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.</p>	
	65,573.24
<p>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.</p>	
	(1,939.53)
<p>In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).</p>	
	<u>(56,493.09)</u>
Change in Net Assets of Governmental Activities	<u>\$ 106,388.12</u>

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, 2011

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 firefighting 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, 2011, 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, 2011.

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 firefighting 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 - The Fire District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the Fire District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Fire District's classifications, and policies for determining such classifications, are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Fire District's highest level of decision-making authority, which, for the Fire District, is the Board of Commissioners. Such formal action consists of an affirmative vote by the Board of Commissioners, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Commissioners removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - The assigned fund balance classification includes amounts that are constrained by the Fire District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Commissioners or by the business manager, to which the Board of Commissioners has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business manager is established by way of a formal job description for the position, approved by the Board of Commissioners.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Fund Balance (Cont'd) -**

Unassigned - The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the Fire District to spend restricted fund balances first. Moreover, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the Fire District to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

Interfunds - Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed.

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 Fire District's deposits might not be recovered. Although the Fire District 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 Fire District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds, or funds that may pass to the Fire District relative to the happening of a future condition.

As of December 31, 2011, the Fire District's bank balances of \$606,700.80 were not exposed to custodial credit.

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, 2011, 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>\$ 44,874.27</u>

Note 4: DEFERRED CHARGES

Deferred charges represent overexpenditures from the 2010 year in the amount of \$12,787.75 and the 2011 amount of \$19,700.76. The deferred charges from the 2010 overexpenditures have been raised in the 2012 budget and the 2011 deferred charges will be raised in the 2013 budget.

Note 5: 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>
2011	\$ 769,164,177.00	\$ 1,384,434.00	\$.180
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

* - Revaluation

Note 6: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

	Balance			Balance
	Jan. 1, 2011	Increases	Decreases	Dec. 31, 2011
Buildings and Improvements	\$ 1,621,289.53			\$ 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	2,929,350.16	-	-	2,929,350.16
Less Accumulated Depreciation:				
Buildings and Improvements	(438,752.84)	\$ (684.10)		(439,436.94)
Vehicles and Apparatus	(960,807.74)	(52,488.10)		(1,013,295.84)
Fire Equipment	(63,335.65)	(14,995.87)		(78,331.52)
Office Equipment	(12,107.75)	(1,028.65)		(13,136.40)
Total Accumulated Depreciation	(1,475,003.98)	(69,196.72) *	-	(1,544,200.70)
Total Capital Assets being Depreciated, net of Accumulated Depreciation	1,454,346.18	(69,196.72)		1,385,149.46
Capital Assets, net	\$ 1,454,346.18	\$ (69,196.72)	-	\$ 1,385,149.46

* Depreciation expense was charged to governmental functions as follows:

Cost of Operations and Maintenance	<u>\$ 69,196.72</u>
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Note 7: LONG-TERM OBLIGATIONS

During the year ended December 31, 2011, the following changes occurred in long-term obligations:

	Principal			Principal	Due Within
	Outstanding	Increases	Decreases	Outstanding	One Year
	Jan. 1, 2011			Dec. 31, 2011	
General Serial Bonds	\$ 1,020,000.00		\$ (70,000.00)	\$ 950,000.00	\$ 70,000.00
OPEB Unfunded Liability		\$ 12,921.98		12,921.98	
Obligations under Capital Lease	65,573.24		(65,573.24)		
Total Governmental Activities Long-term Liabilities	\$ 1,085,573.24	\$ 12,921.98	\$(135,573.24)	\$ 962,921.98	\$ 70,000.00

Note 7: 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:

Year Ending			
<u>Dec. 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 950,000.00</u>	<u>\$ 256,910.00</u>	<u>\$ 1,206,910.00</u>

Bonds Authorized But Not Issued - As of December 31, 2011, the Fire District had no authorized but not issued bonds.

Capital Leases Payable - The Fire District made their last payment for capital leases in 2011 in the amount of \$65,573.24.

OPEB Unfunded Liability - This amount represents the actuarial valuation for the retirees dental benefits in accordance with GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (See Note 8).

Note 8: 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, 2011, 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

Note 8: PENSION PLANS (CONT'D)

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. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate will be increased to 6.5% plus an additional 1.0% phased-in over seven years beginning in the first year. The phase-in of the additional incremental member contribution amount will take place in July of each subsequent year. 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>Paid by Fire District</u>
2011	\$ 2,367.00	\$ 3,151.00	\$ 5,518.00	\$ 5,518.00
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

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. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate will be increased to 10% in October, 2011. 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.

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>Paid by Fire District</u>
2011	\$ 52,279.00	\$ 38,873.00	\$ 91,152.00	\$ 91,152.00
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

Note 8: PENSION PLANS (CONT'D)

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. 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, 2011, 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.

Note 9: POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN

Plan Description - The Fire District contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 1986, the Fire District authorized participation in the SHBP's post-retirement benefit program through resolution number 1986-15. Employees with twenty-five (25) years of service or more qualify for continuation of paid health insurance benefits at retirement.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/.

Funding Policy - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Fire District on a monthly basis. The Fire District budgets for these premiums for healthcare and prescription coverage in its annual budget for the General Fund.

The Fire District did not have any retirees as of December 31, 2011.

Note 9: POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN (CONT'D)

Plan Description - In addition to the benefits described above, the Fire District provides post-employment dental benefits, at its cost, to certain employees. This entitlement requires that employees retire from service with the Fire District and have at least twenty-five years of service. The dental benefits will be in a form consistent with that provided to all active members of the Fire District.

Funding Policy

Future Retirees – In accordance with Statement No. 45 of the Governmental Accounting Standards Board, the Fire District is required to expense the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of Statement No. 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) over a period not to exceed thirty (30) years. The ARC includes the costs of both current and future retirees. The current ARC was determined to be \$12,921.98 at an unfunded discount rate of 3%. As stated above, the Fire District had no retirees as of December 31, 2011; the Fire District has accrued the benefit costs of future eligible employees, but has not yet begun funding this outstanding liability.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the Fire District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Fire District's net OPEB obligation to the Plan:

	<u>2011</u>
Unfunded Actuarial Liability	\$ 12,921.98
Annual Required Contribution (expense)	12,921.98
Contributions Made	-
	<u>12,921.98</u>
Net OPEB Obligation - Beginning of Year	-
Net OPEB Obligation - End of Year	<u>\$ 12,921.98</u>

Funded Status and Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the Fire District's plan was 0% funded. The actuarial accrued liability for benefits was \$387,659.26, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$387,659.26. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented below as required supplementary information, compares the assets used for funding purposes to the comparable liabilities to determine how well the Fire District plan is funded. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. The Actuarial Accrued Liability under GASB is determined assuming that the Fire District Plan is ongoing and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions.

Note 9: POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN (CONT'D)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)—Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b - a)	(a / b)	(c)	((b - a) / c)
6/30/2011	\$-0-	\$ 387,659.26	\$387,659.26	0%	N/A	N/A

In the December 31, 2011 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 3.0 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7 % initially, however not exceeding \$20,000.00 annually. The Fire District Plan's unfunded actuarial accrued liability is being amortized over thirty years. The remaining amortization period at December 31, 2011 was thirty years.

Year Ended	Annual Required Contribution (ARC)	Percentage of ARC Contributed
Dec. 31,		
2011	\$ 12,921.98	0.00%

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	December 31, 2011
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight-line, open
Remaining Amortization	Period 30 years
Asset Valuation Method	Determined upon funding
Actuarial Assumptions:	
Investment Rate of Return	3.0%
Rate of Salary Increases	NA
Rate of Medical Inflation	7.0%
	Capped at \$20,000.00

For determining the GASB ARC, the rate of employer contributions to the Plan is composed of the Normal Cost plus amortization of the Unfunded Actuarial Liability. The Normal Cost is a portion of the actuarial present value of plan benefits and expenses which is allocated to a valuation year by the actuarial cost method. The Actuarial Liability is that portion of the Present Value of Projected Benefits that will not be paid by Future Employer Normal Costs or active employee contributions. The difference between this liability and the funds accumulated as of the same date is the Unfunded Actuarial Liability.

Note 10: 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 11: 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, 2011.

Note 12: INTERFUND RECEIVABLES AND PAYABLES

As of December 31, 2011, no interfund receivables or payables existed on the balance sheets of the governmental funds.

Note 13: FUND BALANCES APPROPRIATED

The 2012 annual budget of the Fire District was adopted on December 29, 2011 and subsequently approved by the voters at the annual election. The budget utilized \$12,788.00 of fund balance in the General Fund.

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>
2011	\$ 279,412.72	\$ 12,788.00
2010	526,278.50	-
2009	522,778.47	-
2008	507,936.41	12,934.00
2007	393,976.18	-

Note 14: FUND BALANCES**RESTRICTED**

As stated in note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (1) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the Fire District's fund balance are summarized as follows:

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, 2011, the balance is \$35,854.97.

ASSIGNED

As stated in note 1, the assigned fund balance classification includes amounts that are constrained by the Fire District's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the Fire District's fund balance are summarized as follows:

General Fund -

For Subsequent Year's Expenditures - The Fire District has appropriated and included as anticipated revenue for the year ending December 31, 2011, \$12,788.00 of general fund balance for the 2012 Fire District Budget.

UNASSIGNED

As stated in note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The Fire District's unassigned fund balance is summarized as follows:

General Fund - As of December 31, 2011, \$566,624.72 of general fund balance was unassigned.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5
 Required Supplementary Information
 Schedule of Funding Progress for Dental Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (b)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/11	-	\$ 387,659.26	\$ 387,659.26	-	N/A	N/A

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5
Notes to Required Supplementary Information
For the Year Ended December 31, 2011

Other Postemployment Benefits

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation Date	December 31, 2011
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight-line
Amortization Period	Open
Remaining Amortization Period	30 Years
Asset Valuation Method	to be determined upon funding
Actuarial Assumptions:	
Mortality	estimated for males until age 75; females until age 80
Discount Rate	3%
Rates of Retirement	based on serving 25 years
Spousal Coverage	spouses are assumed to continue coverage upon death of former employee
Coverage	100% of retirees who currently have dental benefits will continue with the same coverage. 100% of activities, upon retirement with benefits, will elect coverage with the same enrollment pattern as current retirees.
Dental Trend	at 7%, capped at \$20,000 annually

For determining the annual required contribution (ARC), the rate of employer contributions to the plan is composed of the normal cost plus amortization of the unfunded actuarial accrued liability (UAAL), multiplied by the sum of 1 plus the discount rate, or 1.03. The normal cost is a portion of the actuarial present value of the plan benefits and expenses which is allocated to a valuation year by the actuarial cost method. The actuarial accrued liability (AAL) is that portion of the present value of projected benefits that will not be paid by future employer normal costs. The difference between this liability and the funds accumulated as of the same date is the unfunded actuarial liability (UAL).

BUDGETARY COMPARISON SCHEDULES

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2011

	<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>
REVENUES:						
Miscellaneous Anticipated Revenues:						
Interest on Investments and Deposits	\$ 1,000.00		\$ 1,000.00	\$ 2,211.59	\$ 1,211.59	
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	5,000.00		5,000.00	14,051.16	9,051.16	
Penalties and Fines	500.00		500.00	30.00	(470.00)	
Other Revenues	9,000.00		9,000.00	14,994.98	5,994.98	
Total Miscellaneous Revenues Offset with Appropriations	14,500.00	-	14,500.00	29,076.14	14,576.14	
Amount to be Raised by Taxation to Support the District Budget	1,164,451.00	-	1,164,451.00	1,200,451.76	36,000.76	
Total Anticipated Revenues	1,182,414.00	-	1,182,414.00	1,234,202.49	51,788.49	
Non-Budgetary Revenues:						
Miscellaneous				1,345.73	1,345.73	
Total Revenues	1,182,414.00	-	1,182,414.00	1,235,548.22	53,134.22	

(Continued)

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2011

	<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>
EXPENDITURES:						
Operating Appropriations:						
Administration:						
Salary and Wages:						
Commissioners	\$ 7,032.00		\$ 7,032.00	\$ 7,032.00		
Commissioner - Treasurer	5,316.00		5,316.00	5,316.00		
Commissioner Secretary	4,716.00		4,716.00	4,716.00		
Commissioner - Personnel Director	19,317.00	\$ (0.96)	19,316.04	19,316.04		
Accountant	8,000.00	(3,131.25)	4,868.75	4,868.75		
Solicitor	5,000.00	(381.25)	4,618.75	4,618.75		
Clerk	8,500.00	(997.85)	7,502.15	7,502.15		
Fringe Benefits	12,218.00	(883.81)	11,334.19	11,334.19		
Other Expenses:						
Election	1,000.00	(683.54)	316.46	316.46		
Insurance	40,000.00	(611.00)	39,389.00	39,389.00		
Memberships / Dues	1,000.00	(505.00)	495.00	495.00		
Office Expenses	8,000.00	2,644.35	10,644.35	10,644.35		
Professional Services	13,000.00	(990.00)	12,010.00	12,010.00		
Travel Expenses	1,000.00	(182.32)	817.68	817.68		
Reimbursement for Expenses & Losses	8,000.00	(5.00)	7,995.00	7,995.00		
Total Administration	<u>142,099.00</u>	<u>(5,727.63)</u>	<u>136,371.37</u>	<u>136,371.37</u>		
Cost of Operations and Maintenance:						
Salary and Wages:						
Firefighters, Supervisor	79,175.00	28.10	79,203.10	79,203.10		
Fire Official (Funded by Taxation)	76,589.00	1,551.17	78,140.17	78,140.17		
Firefighter, Asst. Supervisor	78,425.00	26.07	78,451.07	78,451.07		
Firefighter S	76,309.00	(12,066.47)	64,242.53	64,242.53		
Operations Overtime	43,000.00	2,065.52	45,065.52	45,065.52		
Mechanic	20,000.00	1,460.00	21,460.00	21,460.00		
Firefighter R	71,905.00	3,909.85	75,814.85	75,814.85		
Fringe Benefits	250,049.00	12,007.98	262,056.98	262,056.98		
Other Expenses:						
Supplemental Fire Services Grant	2,463.00		2,463.00	2,463.00		
Fire Prevention - Promotion	8,000.00	(1,588.95)	6,411.05	6,411.05		
Advertising	1,500.00	(988.17)	511.83	511.83		

(Continued)

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2011

	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	\$ 29,000.00	\$ 13,412.18	\$ 42,412.18	\$ 42,412.18		\$ 19,700.76
Rental Charges	140,000.00	1,283.84	141,283.84	141,283.84		
Training / Education	3,000.00	186.28	3,186.28	3,186.28		
Uniforms	8,000.00	(4,164.01)	3,835.99	3,835.99		
Utilities	32,000.00	5,023.45	37,023.45	37,023.45		
Maintenance and Repair - Vehicles	40,000.00	12,933.69	52,933.69	52,933.69		
Maintenance and Repair - Fire Equipment	5,000.00	(2,007.00)	2,993.00	2,993.00		
Maintenance and Repair - Firefighting Gear	2,000.00	1,616.96	3,616.96	3,616.96		
Computer and Related Computer Equipment	2,000.00	248.60	2,248.60	2,248.60		
Fire Equipment	35,000.00	(21,203.36)	13,796.64	13,796.64		
Radios	11,000.00	(4,510.50)	6,489.50	6,489.50		
Firefighters' Gear	9,000.00	538.40	9,538.40	9,538.40		
FSA Prevention	1,200.00	(1,200.00)				
FSA Suppression	1,200.00	(1,200.00)				
Total Cost of Operations and Maintenance	<u>1,025,815.00</u>	<u>7,363.63</u>	<u>1,033,178.63</u>	<u>1,033,178.63</u>	-	<u>19,700.76</u>
Operating Appropriations Offset with Revenues:						
Salary and Wages	<u>14,500.00</u>	<u>(1,636.00)</u>	<u>12,864.00</u>	<u>12,864.00</u>	-	-
Total Expenditures	<u>1,182,414.00</u>	<u>-</u>	<u>1,182,414.00</u>	<u>1,182,414.00</u>	-	<u>19,700.76</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,134.22</u>	<u>\$ 53,134.22</u>	<u>19,700.76</u>
Fund Balance, January 1				<u>526,278.50</u>		
Fund Balance, December 31				<u>\$ 579,412.72</u>		

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5

Required Supplementary Information

Budgetary Comparison Schedule

Note to RSI

For the Year Ended December 31, 2011

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.	\$ 1,235,548.22	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	<u>\$ 1,235,548.22</u>	<u>-</u>
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	\$ 1,182,414.00	
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 1,182,414.00</u>	<u>-</u>

OTHER SUPPLEMENTARY INFORMATION

LONG-TERM DEBT

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5
 Schedule of Serial Bonds
 For the Year Ended December 31, 2011

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance Jan. 1, 2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance Dec. 31, 2011</u>
			<u>Date</u>	<u>Amount</u>					
General Serial Bonds 2007	04/26/07	\$ 1,200,000.00	4/15/2012	\$ 70,000.00					
			4/15/2013	70,000.00					
			4/15/2014	80,000.00					
			4/15/2015	80,000.00					
			2016-2020	450,000.00					
			2021-2022	200,000.00	4.60%	\$ 1,020,000.00		\$ 70,000.00	\$ 950,000.00
						\$ 1,020,000.00	-	\$ 70,000.00	\$ 950,000.00

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 5
 Schedule of Obligations Under Capital Leases
 For the Year Ended December 31, 2011

<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, 2011 (a)</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding Dec. 31, 2011 (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>\$ 65,573.24</u>	<u>-</u>	<u>\$ 65,573.24</u>	<u>-</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, 2011

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES:					
Amount of be Raised by Taxation to Support the District Budget	\$ 183,983.00	-	\$ 183,983.00	\$ 183,982.24	\$ (0.76)
EXPENDITURES:					
Principal Payments:					
Capital Leases	65,574.00		65,574.00	65,573.24	0.76
General Obligation Bonds	70,000.00		70,000.00	70,000.00	
Interest Payments:					
Capital Leases	3,099.00		3,099.00	3,099.00	
General Obligation Bonds	45,310.00		45,310.00	45,310.00	
Total Expenditures	183,983.00	-	183,983.00	183,982.24	0.76
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, 2011

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. 2011-1

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 2011 budget by \$19,700.76.

Context

The overexpenditures were discovered when comparing the Fire District's expenditures to the 2011 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
Summary Schedule of Prior Year Audit Findings
And Recommendations as Prepared by Management

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. 2010-1

Condition

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

Current Status

This conditions still exists as reported in Finding No. 2011-1.

Planned Corrective Action

All expenditures have sufficient budgeted legal appropriations.

Finding No. 2010-2

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".

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,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

