

**TOWNSHIP OF WASHINGTON
FIRE DISTRICT NO. 1
FINANCIAL STATEMENTS
DECEMBER 31, 2011**

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
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DECEMBER 31, 2011

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TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
P.O. BOX 152
WASHINGTON, NJ 07882

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Township of Washington Fire District No. 1's financial performance provides an overview of the District's financial activities for the year ended December 31, 2011.

The District provides funding for emergency services and the fire prevention bureau to an eighteen square mile area of Washington Township. The population of the District is approximately six thousand. The District is a separate government body (not part of the Township of Washington) known as a Special District and is governed by an elected board of five citizens. This section of the District's financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2011.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the District as a whole and present longer-term view of the District's finances. For governmental activities, these statements tell how district services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as a Board for the benefit of those outside of the government.

Reporting on the District as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answers this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the year's current revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base and the condition of the District's equipment to assess the overall health of the District.

In the Statement of Net Assets and the Statement of Activities are the General Fund activities where most of the District's basic services are reported. Property tax levies and municipal assistance primarily finance most of these activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by the State law and by bond covenants.

General funds – All of the District's basic services are reported in general funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The general fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. General fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between general fund activities (reported in the Statement of Net Assets and the Statement of Activities) and capital funds in reconciliation at the bottom of the fund financial statements.

Governmental Funds

Washington Township Fire District No. 1's activities are all reported in governmental funds. These funds record the flow of cash in and out of the District during the period and the balances remaining at year end for future periods. The modified accrual basis of accounting is utilized for reporting purposes. This method of accounting measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services that 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 the District's services.

Washington Township Fire District No. 1 maintains two separate government funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund and the capital fund.

As required by N.J.S.A. 40A:14:78-3, Washington Township Fire District No. 1 adopts an annual budget which is voted on by the legal voters of the District. Budgetary comparison schedules have been prepared to document compliance with budgetary requirements.

Notes to Financial Statements

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

The District as a Board

Reporting the District's Fiduciary Responsibilities

The District is a board of commissioners formed to serve the residents, business community and visitors of Washington Township by providing adequately funded fire prevention and protection in the community. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

THE DISTRICT AS A WHOLE

For the year ended December 31, 2011, net assets, budgetary basis, changed as follows:

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>
Beginning net assets	\$216,893	\$130,000	\$346,893
Increase(decrease) in net assets	<u>26,633</u>	<u>60,000</u>	<u>86,633</u>
Ending net assets	<u>\$243,526</u>	<u>\$190,000</u>	<u>\$433,526</u>

Governmental Activities

General Fund is mainly to provide fire protection to its residents, educate the public as to fire prevention and precaution and to train qualified personnel.

Capital fund is mainly to provide for the acquisition or construction of fire equipment or facilities.

All other government revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

DIRECT-WIDE FINANCIAL ANALYSIS

Washington Township Fire District No. 1's net assets, GAAP basis, are a useful indicator of the District's financial condition. At the end of 2010 the District's assets, GAAP basis, exceeded the liabilities by approximately \$786,000.

Statement of Net Assets

WASHINGTON TOWNSHIP FIRE DISTRICT NO. 1
NET ASSETS
DECEMBER 31, 2011

Current and Other Assets	\$ 551,563
Capital Assets	<u>352,060</u>
Total Assets	903,623
Other Liabilities	<u>(118,037)</u>
Net Assets	<u>\$ 785,586</u>

Analysis of Net Assets

Invested in Capital Assets Net of Accumulated Depreciation	\$ 352,060
Unrestricted	<u>433,526</u>
Total Net Assets	<u>\$ 785,586</u>

The net assets, GAAP basis, of Washington Township Fire District No. 1 increased approximately \$64,000 during the 2011 period. During 2005, the District implemented GASB 34. One requirement of this pronouncement was the adoption of a fixed asset management plan, including a depreciation policy.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Governmental Activities

The Statement of Activities, budgetary basis, shows the cost of the governmental activities program services and the charges for services offsetting these costs. A summary of these activities follows:

Program Expenses	
Administrative Expenses	\$ 113,331
Cost of Operations	<u>280,392</u>
Total Program Expenses	<u>393,723</u>
General Revenues	
Property Taxes Levied for General Purposes	454,617
Other Income	<u>25,739</u>
Total General Revenue	<u>480,356</u>
Increase in Net Assets	86,633
Net Assets, January 1	<u>346,893</u>
Net Assets, December 31	<u>\$ 433,526</u>

In 2011 the property tax revenue constituted 95% of the total government activities revenue received by Washington Township Fire District No.1.

The Cost of Operations in 2011 was 71% of the District's total expenses. Administration expenses equaled 29% of the total expenses.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

Washington Fire District No. 1 uses fund accounting to document compliance with finance-related legal requirements.

Government Fund

The primary objective of the District's governmental funds is to report on cash flows in and out during the period and the ending balances of the spendable resources. This information is useful to evaluate the performance of the District and to assess its future needs and available resources.

As of December 31, 2011, the balance of the government cash funds of Washington Township Fire District No. 1 was approximately \$244,000. This balance is approximately \$27,000 higher than last year's governmental cash funds balance. The general fund funded \$60,000 for future capital expenditures and operated at a surplus during the year.

The combined balance of the governmental funds, budgetary basis, of Washington Township Fire District No. 1 was approximately \$434,000, which is all unreserved. A further breakdown of the unreserved fund balance includes \$234,975 designated for the 2011 budget period.

The general fund is the main operating fund of Washington Township Fire District No. 1. At the end of 2011, the total fund balance, budgetary basis, of the general fund was \$243,526. Of this balance, \$8,551 was undesignated.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

During 2011 the general fund balance, budgetary basis, of Washington Township Fire District No. 1 increased by approximately \$27,000.

At the end of 2011, the District had a capital projects fund balance of \$190,000. The change in this fund balance was a capital appropriation transfer from the general fund of \$60,000.

General Fund Budgetary Highlights

The 2011 budget is a balanced budget. The Commissioners decided to anticipate \$60,000 of accumulated surplus and use those funds for the future purchase of equipment.

Over the course of the year, the Board revised the General Fund budget. This budget amendment was a transfer within appropriations as a result of over expending some line items.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At year-end, the District had \$610,270 invested in capital assets, which represents the purchase or acquisition of assets as follows:

Vehicles acquired form Township at no cost, reported at fair market value	\$120,000
Vehicles purchased from Township at cost	35,000
Vehicles and Equipment purchased through budget	<u>455,270</u>
Total	<u>\$610,270</u>

Debt

At year- end, the District had no debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

An increase in district taxes has been approved and revenue for fees and penalties has been anticipated for next year. The general fund budget was determined based on these increases.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our District's citizens, taxpayers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District secretary's office at 196 Washburn Avenue, Washington, NJ.

Board of Fire Commissioners

URBAN AND JINKS, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Township of Washington Fire District No. 1
Warren County, New Jersey

We have audited the accompanying financial statements of the Township of Washington Fire District No.1, Warren County, New Jersey as of and for the year ended December 31, 2011. These financial statements are the responsibility of the Fire District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Township of Washington Fire District No. 1, Warren County, New Jersey as of December 31, 2011, and the results of its operations 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 a report dated on May 29, 2012 on our consideration of the Township of Washington Fire District No. 1, Warren County, New Jersey's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulation, 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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of the audit.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

The Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual included in the contents of this report are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Certain limited procedures have been applied to the Management's Discussion and Analysis, primarily consisting of inquires of management. However, we did not audit the information and express no opinion on it. The Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget to Actual has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit has been made for the purpose of forming an opinion on the financial statements taken as a whole. The Statistical Information and Roster of Officials are supplementary information presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Urban And Jinks, P.A.

May 29, 2012

URBAN AND JINKS, P.A.

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

Board of Fire Commissioners
Township of Washington Fire District No. 1
Warren County, New Jersey

We have audited the financial statements of the Township of Washington Fire District No. 1, Warren County, New Jersey as of and for the year ended December 31, 2011, and have issued our report thereon dated May 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, in compliance with the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Washington Fire District No. 1, Warren County, New Jersey's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and other Matters

As part of Obtaining reasonable assurance about whether the Township of Washington Fire District No.1, Warren County, New Jersey's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulation, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING (CONT'D)....

We noted certain matters that we have either included in the Schedule of Findings and Recommendations or reported to management of the Township of Washington Fire District No. 1, Warren County, New Jersey, in a separate letter dated May 29, 2012.

This report is intended solely for the information and use of the Board of Commissioners and the 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 those specified parties.

Urban And Jinks, P.A.

May 29, 2012

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
COUNTY OF WARREN
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2011

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Assets</u>
ASSETS					
Current Assets:					
Cash	\$ 544,392	\$ -	\$ 544,392	\$ -	\$ 544,392
Accounts Receivable	-	-	-	-	-
Prepaid Expenses	7,171	-	7,171	-	7,171
Interfund Receivable	-	190,000	190,000	(190,000)	-
Total Current Assets	<u>551,563</u>	<u>190,000</u>	<u>741,563</u>	<u>(190,000)</u>	<u>551,563</u>
Capital Assets, Net	-	-	-	352,060	352,060
TOTAL ASSETS	<u>\$ 551,563</u>	<u>\$ 190,000</u>	<u>\$ 741,563</u>	<u>\$ 162,060</u>	<u>\$ 903,623</u>
LIABILITIES					
Current Liabilities:					
Reserve for Encumbrances	\$ 11,500	\$ -	\$ 11,500	\$ -	\$ 11,500
Accounts Payable	103,668	-	103,668	-	103,668
Payroll Taxes and Deductions Payable	2,869	-	2,869	-	2,869
Interfund Payable	190,000	-	190,000	(190,000)	-
Total Current Liabilities	<u>308,037</u>	<u>-</u>	<u>308,037</u>	<u>(190,000)</u>	<u>118,037</u>
FUND BALANCES AND NET ASSETS					
Fund Balances:					
Unreserved:					
Designated for Subsequent Years' Expenditures	\$ 234,975	\$ -	\$ 234,975	\$ (234,975)	\$ -
Undesignated	8,551	190,000	198,551	(198,551)	-
Total Fund Balances	<u>243,526</u>	<u>190,000</u>	<u>433,526</u>	<u>(433,526)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 551,563</u>	<u>\$ 190,000</u>	<u>\$ 741,563</u>		
Net Assets:					
Invested in Capital Assets, Net				352,060	352,060
Unreserved				433,526	433,526
TOTAL NET ASSETS				<u>\$ 785,586</u>	<u>\$ 785,586</u>

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

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
COUNTY OF WARREN
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2010

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Assets</u>
ASSETS					
Current Assets:					
Cash	\$ 399,122	\$ -	\$ 399,122	\$ -	\$ 399,122
Accounts Receivable	-	-	-	-	-
Prepaid Insurance	6,659	-	6,659	-	6,659
Interfund Receivable	-	130,000	130,000	(130,000)	-
Total Current Assets	<u>405,781</u>	<u>130,000</u>	<u>535,781</u>	<u>(130,000)</u>	<u>405,781</u>
Capital Assets, Net	-	-	-	374,774	374,774
TOTAL ASSETS	<u>\$ 405,781</u>	<u>\$ 130,000</u>	<u>\$ 535,781</u>	<u>\$ 244,774</u>	<u>\$ 780,555</u>
LIABILITIES					
Current Liabilities:					
Reserve for Encumbrances	\$ 11,500	\$ -	\$ 11,500	\$ -	\$ 11,500
Accounts Payable	45,430	-	45,430	-	45,430
Payroll Taxes and Deductions Payable	1,958	-	1,958	-	1,958
Interfund Payable	130,000	-	130,000	(130,000)	-
Total Current Liabilities	<u>188,888</u>	<u>-</u>	<u>188,888</u>	<u>(130,000)</u>	<u>58,888</u>
FUND BALANCES AND NET ASSETS					
Fund Balances:					
Unreserved:					
Designated for Subsequent Years' Expenditures	\$ 208,342	\$ -	\$ 208,342	\$ (208,342)	\$ -
Undesignated	8,551	130,000	138,551	(138,551)	-
Total Fund Balances	<u>216,893</u>	<u>130,000</u>	<u>346,893</u>	<u>(346,893)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 405,781</u>	<u>\$ 130,000</u>	<u>\$ 535,781</u>		
Net Assets:					
Invested in Capital Assets, Net				374,774	374,774
Unreserved				346,893	346,893
TOTAL NET ASSETS				<u>\$ 721,667</u>	<u>\$ 721,667</u>

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

**TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
COUNTY OF WARREN
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures:					
Operating Appropriations	\$ 393,723	\$ -	\$ 393,723	\$ 22,714	\$ 416,437
General Revenues:					
District Taxes	454,617	-	454,617	-	454,617
Miscellaneous	25,739	-	25,739	-	25,739
Total General Revenues	<u>480,356</u>	<u>-</u>	<u>480,356</u>	<u>-</u>	<u>480,356</u>
Transfers - Reserve for Future Capital Outlays	<u>(60,000)</u>	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Revenues and Transfers	<u>420,356</u>	<u>60,000</u>	<u>480,356</u>	<u>-</u>	<u>480,356</u>
Excess (Deficiency) of Revenues Over Expenditures	26,633	60,000	86,633	(22,714)	63,919
Fund Balances, January 1	<u>216,893</u>	<u>130,000</u>	<u>346,893</u>	<u>374,774</u>	<u>721,667</u>
Fund Balances, December 31	<u>\$ 243,526</u>	<u>\$ 190,000</u>	<u>\$ 433,526</u>	<u>\$ 352,060</u>	<u>\$ 785,586</u>

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

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
COUNTY OF WARREN
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures:					
Operating Appropriations	\$ 349,613	\$ -	\$ 349,613	\$ 22,714	\$ 372,327
General Revenues:					
District Taxes	432,000	-	432,000	-	432,000
Miscellaneous	25,012	-	25,012	-	25,012
Total General Revenues	<u>457,012</u>	<u>-</u>	<u>457,012</u>	<u>-</u>	<u>457,012</u>
Transfers - Reserve for Future Capital Outlays	(50,000)	50,000	-	-	-
Total General Revenues and Transfers	<u>407,012</u>	<u>50,000</u>	<u>457,012</u>	<u>-</u>	<u>457,012</u>
Excess (Deficiency) of Revenues Over Expenditures	57,399	50,000	107,399	(22,714)	84,685
Fund Balances, January 1	<u>159,494</u>	<u>80,000</u>	<u>239,494</u>	<u>397,488</u>	<u>636,982</u>
Fund Balances, December 31	<u>\$ 216,893</u>	<u>\$ 130,000</u>	<u>\$ 346,893</u>	<u>\$ 374,774</u>	<u>\$ 721,667</u>

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

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 1 – Summary of Significant Accounting Policies:

The accounting policies of the Board of Fire Commissioners (Board) of the Township of Washington Fire District No. 1, Warren County, (District) conform to the accounting principles applicable to special districts which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. For the years ended December 31, 2011 and 2010 the financial statements of the Township of Washington Fire District No. 1 have been prepared in conformity with generally accepted accounting principles (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. Beginning with the year ended December 31, 2004 the District implemented the new financial reporting requirements of GASB 34. As a result, an entirely new financial presentation format has been presented. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District was organized December 6, 2003 as an instrumentality of a political subdivision of the State of New Jersey, established to function as a special district. The Board of Fire Commissioners consists of elected officials and is responsible for the fiscal control of the District.

The primary criterion for including activities within the District's reporting entity, as set forth in section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the District over which the board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation

Combined Fund and Government-wide Financial Statements

As a special purpose governmental entity engaged in a single governmental program the District has opted to present its financial data in the form of combined fund and government-wide financial statements to simplify their annual financial reporting process.

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types". The District does not maintain any proprietary or fiduciary funds.

Governmental Fund Types

General Fund: The general fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund.

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 1 – Summary of Significant Accounting Policies (Cont'd):

B. Basis of Presentation (Cont'd)

Governmental Fund Types (Cont'd)

Capital Fund: The Capital Fund is used to account for all financial resources to be used for the acquisition or construction of major capital assets.

In conformity with GASB 34, the District's combined fund and government-wide financial statements present adjustments to reconcile the general and capital fund balances to net assets.

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

C. Basis of Accounting

Fund Basis of Accounting

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

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 year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount, if any, is considered to be an "accounts Receivable".

Government-wide Basis of Accounting

The government-wide statements are presented using the accrual basis of accounting. Under the full accrual basis, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenue, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

D. Budgets/Budgetary Control

Annual budgets are prepared each year for the operations of the fire district. The budgets are approved by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The budgets are then voted upon by the public.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and the fund basis of accounting previously described. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at the end of the subsequent year.

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 1 – Summary of Significant Accounting Policies (Cont'd):

E. 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 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 service.

The encumbered appropriation authority carries over into the following 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 as of the current year end.

F. Fixed Assets

In the fund financial statements, fixed assets used in governmental operations are accounted for as expenditures of the government fund upon acquisition.

In the government-wide basis of accounting, fixed assets are accounted for as capital assets. The District generally capitalizes assets with a cost of \$1,000 or more as outlays occur. All fixed assets are valued at fair market value as of date acquired, historical cost or estimated historical cost if actual is unavailable.

Depreciation of all fixed assets is recorded as an operating expense in the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance with accumulated depreciation reflected in the Statement of Net Assets and Governmental Funds Balance Sheet. Depreciation is provided over the assets' estimated useful lives using the straight line method of depreciation, generally 5 years for fire fighting equipment, 10 years for general purpose vehicles and 20 years for fire fighting vehicles.

G. Interfund Transactions and Balances

Transfers are used to move revenue from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Transfers between the general and capital fund of the District net to zero on the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances.

During the course of operation, transactions occur between individual funds that may result in amounts owed between funds. Those loans are reported as interfund receivables and payables on the fund basis of accounting. Interfund payables and receivables between funds are eliminated in the Statement of Net Assets and Governmental Funds Balance Sheet.

H. Fund Equity

Fund Basis

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 1 – Summary of Significant Accounting Policies (Cont'd):

H. Fund Equity (Cont'd)

Government-wide Basis

Equity is classified as net assets and is displayed in three components:

- a. Invested in capital assets, net- Consists of capital assets, net of accumulated depreciation.
- b. Restricted for capital acquisitions- Current balance consists of net assets restricted to the acquisition of a fire truck.
- c. Unrestricted net assets- All net assets that do not meet the definition of “invested in capital assets, net” or “restricted”.

Note 2 – Adjustments to Arrive at Net Assets:

A. Capital Assets and Net Assets Invested in Capital Assets

For the years ended December 31, 2011 and 2010, capital assets, net and net assets invested in capital assets in the amount of \$352,060 and \$374,774, respectfully, have been included in the government-wide presentation.

B. Fund Balances, Unrestricted Net Assets and Net Assets Restricted for Capital Acquisitions

For the year ended December 31, 2011 and 2010, fund balances in the amount of \$243,526 and \$216,893, respectfully, have been eliminated.

C. Interfund Receivables and Payables

For the years ended December 31, 2011 and 2010, interfund receivable and payables in the amount of \$190,000 and \$130,000, respectfully have been eliminated in arriving at the government-wide presentation.

Note 3 – Adjustments to Arrive at the Change in Net Assets:

A. Operating Appropriations

For the years ended December 31, 2011 and 2010, depreciation expense in the amount of \$22,714 and \$22,714 has been included in the government-wide presentation.

Note 4 – Deposits and Investments:

New Jersey statues permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (“FDIC”), or by any other agency of the United States that insures deposits or the State of New Jersey Cash Management Fund. New Jersey statues require public depositories to maintain collateral for deposit of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5 percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. The State of New Jersey Cash Management Fund is authorized by statue and regulations of the State Investment Council to invest in fixed income and debt securities which mature within one year. Collateralization of fund investments is generally not required.

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 4 – Deposits and Investments (Cont'd):

The cash on deposit is partially insured by federal deposit insurance in the amount of \$100,000 in each depository. Balances above the federal deposit insurance amount are insured by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., which insures all New Jersey governmental units' deposits in excess of the federal deposit insurance maximums. Cash as determined by the Board of Commissioners consists of all bank accounts and includes certificates of deposits.

Investments

New Jersey statutes establish the following securities as eligible for the investment of District Funds:

- (a) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (b) Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Associates or of any United State Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- (c) Bonds or other obligations of the District or bonds or other Obligations of school districts of which the District is a part or within which the school district is located.
- (d) Bonds or other obligations, having a maturity date of not more than twelve months from the date of purchases, that are approved by the New Jersey Department of Treasury, Division of Investments.
- (e) Qualified mutual funds with portfolios limited to (i) bonds or other obligations of, or guaranteed by, the United State of America; and (ii) repurchase agreements fully collateralized by such obligations. These investments must be transacted only through national or state banks located within New Jersey.

During the year, the District had none of its idle funds invested in repurchase agreements collateralized by eligible securities. At the close of the year, no such investments were held by the District.

As of December 31, the District's cash accounts consisted of:

	<u>2011</u>	<u>2010</u>
Checking Account	\$ 28,107	\$ 1,315
Money Market Account	516,259	397,557
Petty Cash	<u>26</u>	<u>250</u>
Total Cash In Bank	<u>\$544,392</u>	<u>\$399,122</u>

The carrying amount of the District's cash at December 31, 2011 and 2010 was \$544,392 and \$399,122, respectively, and the bank balance was \$436,122 and \$402,935, respectively. All of the balance was covered by federal depository insurance.

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 5 – Assessment and Collection of Money Authorized By Voters:

Upon proper certification pursuant to Section 9 of P.L. 1979 c. 453 (C.40[A]:14-78.5), the assessor of the municipality, in which the fire district is situated, shall assess the amount to be raised by taxation to support the district budget against the taxable property therein, in the same manner as municipal taxes are assessed and the same amount shall be assessed, levied and collected at the same time and in the same manner as other municipal taxes.

The collector or treasurer of the municipality, in which said district is situated, shall pay over all moneys so assessed to the treasurer or custodian of funds of said fire district as follows; on or before April 1, an amount equaling 21.25% of all moneys so assessed; on or before July 1, an amount equaling 22.5% of all monies so assessed; on or before October 1, an amount equaling 25% of all monies so assessed; and on or before December 31, an amount equaling the difference between the total of all monies so assessed and the total amount of such monies previously paid over, to be held and expended for the purpose of providing and maintaining means for extinguishing fires in such district.

Notwithstanding anything herein to the contrary, the municipal governing body may authorize, in the cash management plan adopted by it pursuant to N.J.S. 40A:5-14, a schedule of payments of fire districts moneys by which an amount greater than required on any of the first three payment dates cited herein may be paid over. The municipal governing body and board of fire commissioners may, by concurrent resolution, adopt a schedule of payments of fire district moneys by which an amount less than required in any of the first three payments dates, cited herein may be paid over. Such resolution shall be included in the cash management plan adopted by the municipal governing body pursuant to N.J.S. 40A:5-14.

The commissioners may also pay back, or cause to be paid back to such municipality, any funds or any part thereof paid to the treasurer or custodian of funds of such fire district by the collector or treasurer of the municipality, representing taxes levied for fire district purposes but not actually collected in cash by said collector or treasurer.

Note 6 – Funding:

The activities of the Township of Washington Fire District No. 1 are primarily funded by the striking of a fire tax on the property owners of the Fire District, as provided for by state statute. For the years ended December 31, 2011 and 2010, the fire tax rate for Fire District No. 1 was \$0.06420 and \$0.05600 per \$100 of assessed valuation, respectfully.

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 7 – Capital Assets:

The following schedule is a summarization of the capital assets by source for the years ended December 31, 2011 and 2010:

	<u>Expenditures</u>	<u>Acquired No Cost (FMV)</u>	<u>Balance as of Dec. 31, 2010</u>	<u>2011 Additions</u>	<u>Balance as of Dec. 31, 2011</u>
Equipment	\$ 997	\$ --	\$ 997	\$ --	\$ 997
Truck & Vehicles	<u>489,273</u>	<u>120,000</u>	<u>609,273</u>	<u>--</u>	<u>609,273</u>
	490,270	120,000	610,270	--	610,270
Less: Accumulated Depreciation	<u>115,496</u>	<u>120,000</u>	<u>235,496</u>	<u>22,714</u>	<u>258,210</u>
Net	<u>\$374,774</u>	<u>\$ --</u>	<u>\$374,774</u>	<u>\$ 22,714</u>	<u>\$352,060</u>

Depreciation expense for each of the years ended December 31, 2011 and 2010 was \$22,714 and \$22,714.

Note 8 – Rental Charges:

The District contracts with the volunteer fire company to lease the premises and some of the equipment on a yearly basis. The volunteer fire company owns both the equipment and premises. The total rental charge for each of the years 2011 and 2010 was \$61,396 and \$59,457.

Note 9 – Risk Management:

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

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
COUNTY OF WARREN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011

	Total Actual Amounts				GAAP Basis	Budgeted Amounts		Budgetary Variance
	Governmental Fund Type		Budgetary Basis	Adjustments Note B		Original	Final	
	General Fund	Capital Fund						
Revenues:								
District Taxes	\$ 454,617	\$ -	\$ 454,617	\$ -	\$ 454,617	\$ 454,567	\$ 454,567	\$ 50
Miscellaneous Income	25,739	-	25,739	-	25,739	25,505	25,505	234
Total Revenues	480,356	-	480,356	-	480,356	480,072	480,072	284
Transfers - Reserve for Future								
Capital Outlay	(60,000)	60,000	-	-	-	-	-	-
Total General Revenues and Transfers	420,356	60,000	480,356	-	480,356	480,072	480,072	284
Expenditures:								
Operating Appropriations:								
Administration:								
Salary and Wages:								
Commissioners	9,200	-	9,200	-	9,200	9,430	9,430	230
Fire Official	15,694	-	15,694	-	15,694	16,605	16,605	911
Total Salary and Wages	24,894	-	24,894	-	24,894	26,035	26,035	1,141
Other Expenses:								
Legal	3,859	-	3,859	-	3,859	4,000	4,000	141
Advertising	2,261	-	2,261	-	2,261	4,000	4,000	1,739
Election	522	-	522	-	522	2,000	900	378
Audit and Accounting	6,650	-	6,650	-	6,650	5,638	6,738	88
Office Supplies and Postage	1,038	-	1,038	-	1,038	2,590	2,590	1,552
Insurance	34,107	-	34,107	-	34,107	56,439	36,439	2,332
Service Award Program	40,000	-	40,000	-	40,000	40,000	40,000	-
Total Other Expenses	88,437	-	88,437	-	88,437	114,667	94,667	6,230
Total Administration	113,331	-	113,331	-	113,331	140,702	120,702	7,371

See Independent Auditors' Report

The Notes to Required Supplementary Information are an integral part of this schedule.

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
COUNTY OF WARREN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CONT'D)
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011

	Total Actual Amounts				GAAP Basis	Budgeted Amounts		Budgetary Variance
	Governmental Fund Type		Budgetary Basis	Adjustments Note B		Original	Final	
	General Fund	Capital Fund						
Cost of Operations:								
Payroll Taxes	\$ 728	\$ -	\$ 728	\$ -	\$ 728	\$ 4,000	\$ 4,000	\$ 3,272
Other Expenses:								
Building Rental	53,896	-	53,896	-	53,896	52,568	52,568	1,328
Fire Hydrant Rentals	67,398	-	67,398	-	67,398	67,188	67,488	90
Truck Maintenance	19,671	-	19,671	-	19,671	27,050	27,050	7,379
Equipment Testing	4,824	-	4,824	-	4,824	9,017	9,017	4,193
Vehicle Leases	47,868	-	47,868	-	47,868	48,000	48,000	132
Truck Fuel	7,785	-	7,785	-	7,785	6,150	7,950	165
Training	7,150	-	7,150	-	7,150	13,940	7,240	90
Equipment Repair	10,023	-	10,023	-	10,023	8,475	10,275	252
Telephone	9,091	-	9,091	-	9,091	4,993	9,193	102
Fire Prevention	4,860	-	4,860	-	4,860	4,200	5,000	140
OSHA	-	-	-	-	-	11,031	1,031	1,031
Dues and Subscriptions	300	-	300	-	300	411	411	111
Contingent Expenses	-	-	-	-	-	1,560	1,560	1,560
Other Deferred Charges	-	-	-	-	-	-	-	-
Purchases of Assets Not Capital Outlays	46,798	-	46,798	-	46,798	20,787	48,587	1,789
Purchases of Capital Outlays	-	-	-	-	-	-	-	-
Depreciation	-	-	-	22,714 (1)	22,714	-	-	-
Total Other Expenses	<u>279,664</u>	<u>-</u>	<u>279,664</u>	<u>22,714</u>	<u>302,378</u>	<u>275,370</u>	<u>295,370</u>	<u>18,362</u>
Total Cost of Operations	<u>280,392</u>	<u>-</u>	<u>280,392</u>	<u>22,714</u>	<u>303,106</u>	<u>279,370</u>	<u>299,370</u>	<u>21,634</u>
Total Operating Expenditures	<u>393,723</u>	<u>-</u>	<u>393,723</u>	<u>22,714</u>	<u>416,437</u>	<u>420,072</u>	<u>420,072</u>	<u>29,005</u>
Reserve for Future Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>
Total Expenditures	<u>393,723</u>	<u>-</u>	<u>393,723</u>	<u>22,714</u>	<u>416,437</u>	<u>480,072</u>	<u>480,072</u>	<u>89,005</u>
Excess of Revenues Over Expenditures	26,633	60,000	86,633	\$ (22,714)	\$ 63,919	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,289</u>
Fund Balance, January 1	<u>216,893</u>	<u>130,000</u>	<u>346,893</u>	<u>374,774</u>	<u>721,667</u>			
Fund Balance, December 31	<u>\$ 243,526</u>	<u>\$ 190,000</u>	<u>\$ 433,526</u>	<u>\$ 352,060 (2)</u>	<u>\$ 785,586</u>			

See Independent Auditors' Report.

The Notes to Required Supplementary Information are an integral part of this statement.

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
COUNTY OF WARREN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	Total Actual Amounts				GAAP Basis	Budgeted Amounts		Budgetary Variance
	Governmental Fund Type		Budgetary Basis	Adjustments Note B		Original	Final	
	General Fund	Capital Fund						
Revenues:								
District Taxes	\$ 432,000	\$ -	\$ 432,000	\$ -	\$ 432,000	\$ 432,000	\$ 432,000	\$ -
Miscellaneous Income	25,012	-	25,012	-	25,012	24,900	24,900	112
Total Revenues	457,012	-	457,012	-	457,012	456,900	456,900	112
Transfers - Reserve for Future								
Capital Outlay	(50,000)	50,000	-	-	-	-	-	-
Total General Revenues and Transfers	407,012	50,000	457,012	-	457,012	456,900	456,900	112
Expenditures:								
Operating Appropriations:								
Administration:								
Salary and Wages:								
Commissioners	9,200	-	9,200	-	9,200	9,200	9,200	-
Fire Official	14,025	-	14,025	-	14,025	16,000	16,000	1,975
Total Salary and Wages	23,225	-	23,225	-	23,225	25,200	25,200	1,975
Other Expenses:								
Legal	1,440	-	1,440	-	1,440	4,000	4,000	2,560
Advertising	1,781	-	1,781	-	1,781	4,000	4,000	2,219
Election	426	-	426	-	426	2,000	2,000	1,574
Audit and Accounting	6,450	-	6,450	-	6,450	5,500	6,450	-
Office Supplies and Postage	1,532	-	1,532	-	1,532	2,527	1,577	45
Insurance	38,076	-	38,076	-	38,076	53,700	53,700	15,624
Service Award Program	40,000	-	40,000	-	40,000	40,000	40,000	-
Total Other Expenses	89,705	-	89,705	-	89,705	111,727	111,727	22,022
Total Administration	112,930	-	112,930	-	112,930	136,927	136,927	23,997

See Independent Auditors' Report.

The Notes to Required Supplementary Information are an integral part of this statement.

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
COUNTY OF WARREN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CONT'D)
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	Total Actual Amounts		Budgetary Basis	Adjustments Note B	GAAP Basis	Budgeted Amounts		Budgetary Variance
	Governmental Fund Type					Original	Final	
	General Fund	Capital Fund						
Cost of Operations:								
Payroll Taxes	\$ 1,056	\$ -	\$ 1,056	\$ -	\$ 1,056	\$ 4,000	\$ 4,000	\$ 2,944
Other Expenses:								
Building Rental	44,457	-	44,457	-	44,457	44,457	44,457	-
Fire Hydrant Rentals	54,341	-	54,341	-	54,341	65,549	65,549	11,208
Truck Maintenance	30,857	-	30,857	-	30,857	21,218	31,218	361
Equipment Testing	6,135	-	6,135	-	6,135	8,798	8,798	2,663
Vehicle Leases	55,368	-	55,368	-	55,368	55,500	55,500	132
Truck Fuel	4,042	-	4,042	-	4,042	6,000	6,000	1,958
Training	6,800	-	6,800	-	6,800	7,800	7,800	1,000
Equipment Repair	6,136	-	6,136	-	6,136	8,268	8,268	2,132
Telephone	6,198	-	6,198	-	6,198	9,700	9,700	3,502
Fire Prevention	3,522	-	3,522	-	3,522	4,200	4,200	678
OSHA	-	-	-	-	-	12,243	2,243	2,243
Dues and Subscriptions	300	-	300	-	300	400	400	100
Contingent Expenses	-	-	-	-	-	1,560	1,560	1,560
Other Deferred Charges	-	-	-	-	-	-	-	-
Purchases of Assets Not Capital Outlays	17,471	-	17,471	-	17,471	20,280	20,280	2,809
Purchases of Capital Outlays	-	-	-	-	-	-	-	-
Depreciation	-	-	-	22,714 (1)	22,714	-	-	-
Total Other Expenses	<u>235,627</u>	<u>-</u>	<u>235,627</u>	<u>22,714</u>	<u>258,341</u>	<u>265,973</u>	<u>265,973</u>	<u>30,346</u>
Total Cost of Operations	<u>236,683</u>	<u>-</u>	<u>236,683</u>	<u>22,714</u>	<u>259,397</u>	<u>269,973</u>	<u>269,973</u>	<u>33,290</u>
Total Operating Expenditures	349,613	-	349,613	22,714	372,327	406,900	406,900	57,287
Reserve for Future Capital Outlay	-	-	-	-	-	50,000	50,000	50,000
Total Expenditures	<u>349,613</u>	<u>-</u>	<u>349,613</u>	<u>22,714</u>	<u>372,327</u>	<u>456,900</u>	<u>456,900</u>	<u>107,287</u>
Excess of Revenues Over Expenditures	57,399	50,000	107,399	\$ (22,714)	\$ 84,685	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,399</u>
Fund Balance, January 1	<u>159,494</u>	<u>80,000</u>	<u>239,494</u>	<u>397,488</u>	<u>636,982</u>			
Fund Balance, December 31	<u>\$ 216,893</u>	<u>\$ 130,000</u>	<u>\$ 346,893</u>	<u>\$ 374,774 (2)</u>	<u>\$ 721,667</u>			

See Independent Auditors' Report.

The Notes to Required Supplementary Information are an integral part of this statement.

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2011

Note A – Budgetary Basis of Accounting:

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its fire districts the entire balance of taxes in the amount voted upon or certified prior to the end of the year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount, if any, is considered to be an “accounts receivable”.

Note B – Budgetary-to-GAAP Reconciliation:

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

	Changes in Fund Balance	
	December 31,	
	2011	2010
(1) Depreciation expense is not record on the budgetary basis of accounting. For GAAP purposes, capitalized assets are depreciated on a straight line basis over their respective useful lives.	<u>\$ (22,714)</u>	<u>\$ (22,716)</u>
Net increase in fund balance- budget to GAAP	<u>\$ (22,714)</u>	<u>\$ (22,716)</u>
(2) The amount reported as “fund balance” on the budgetary basis of accounting is derived from the basis of accounting used in preparing the District’s budget. (See Note A for a description of the District’s budgetary accounting method.) This amount differs from the fund balance reported in the statement of revenues, expenditures and changes in fund balances because of the cumulative effect of transactions such as those described above.	<u>\$ (22,714)</u>	<u>\$ (22,716)</u>

Note C – Budgetary Cancellation:

Regulations allow the District to cancel unexpended appropriations before year end by resolution. During the years ended December 31, 2011 and 2010, the District canceled \$0 of appropriations.

**TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
 STATISTICAL INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2011**

Property Tax Levies

The following is a tabulation of district assessed valuations, tax levies and property tax rates per \$100 of assessed valuations for the current and preceding year:

<u>Fiscal Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rate</u>
2011	\$680,382,573	\$454,617	\$.0642
2010	\$674,617,609	\$432,000	\$.0560

Unreserved Fund Balance

General Fund:

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
December 31, 2011	\$243,526	\$ --
December 31, 2010	216,893	\$ --

Capital Fund:

<u>Fiscal Year Ended</u>	
December 31, 2011	190,000
December 31, 2010	130,000

**TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
ROSTER OF OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>Board of Fire Commissioners</u>		<u>Surety Bond Coverage (A)</u>
Chairman	Ralph Dorio	\$1,000,0000
Vice Chairman	Carl Shotwell	\$1,000,0000
Secretary	Karl Spolarich	\$1,000,0000
Treasurer	Margaret Tobin	\$2,000,0000
Assistant Secretary/ Treasurer	Matthew Noctor	\$1,000,0000

(A) Blanket bond coverage is provided by AAIC.

**TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Scope of Examination and Conditions of Records

Our examination covered the funds handled by the Treasurer and Board Secretary for the Board of Fire Commissioners, Township of Washington Fire District No. 1.

The Financial records were maintained in satisfactory condition.

Minutes of Board meetings were properly maintained by the Board Secretary.

Cash in Banks

The balances in banks at December 31, 2011 were reconciled with statements issued by the depositories.

Examination of Claims

Claims paid during the period under review were examined on a test basis to determine if they are submitted on Board vouchers, itemized, signed by the officials as to approval for payment, allocated to the proper accounts and charged to the proper fiscal period and in agreement with bill list set forth in the approved minutes of the board.

Contracts and Agreements Required to be Advertised for N.J.S. 40A:11-4

N.J.S. 40A:11-4 state, "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public act or specified by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding the bid threshold except by contract or agreement". The threshold amount beginning July 1, 2005 was \$21,000. Prior to that date, the threshold was \$17,500.

The members of the Township of Washington Fire District No. 1 have the responsibility of determining whether any contract or agreement might result in violation of the statute and, when necessary, the Board Attorney's opinion should be sought before a commitment is made.

The results of our examination indicated that no individual payments, contracts or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies", in excess of the statutory thresholds where there had been no advertising for bids in accordance with provisions of N.J.S.A. 40A:11-21.

Miscellaneous

An exit conference was held in accordance with the generally accepted governmental auditing standards.

Acknowledgement

During the course of the audit, we received the cooperation of the officials of the Fire District and we appreciate the courtesies extended to us.

Recommendations

None