

**BEVERLY CITY
FIRE DISTRICT NO. 1
County of Burlington**

**REPORT OF AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2012**

BEVERLY CITY FIRE DISTRICT NO. 1

	<u>Page</u>
Roster of Officials	1
FINANCIAL SECTION	
Independent Auditor's Report	3
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	5
Required Supplementary Information - Part I Management's Discussion and Analysis	8
Basic Financial Statements	
A. District-wide Financial Statements:	
A-1 Statement of Net Assets	16
A-2 Statement of Activities	17
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	19
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	20
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Notes to the Financial Statements	22
Required Supplementary Information - Part II	
C. Budgetary Comparison Schedules	
C-1 Budgetary Comparison Schedule - General Fund	32
C-2 Budget-to-GAAP Reconciliation	34

Other Supplementary Information

D.	Special Revenue Fund	
D-1	Combining Schedule of Revenues and Expenditures Special Revenue Fund - Budgetary Basis	N/A
E.	Capital Projects Fund:	
E-1	Summary Statement of Project Expenditures	N/A
F.	Fiduciary Funds:	
F-1	Combining Statement of Fiduciary Net Assets	N/A
G.	Long-Term Debt:	
G-1	Schedule of Serial Bonds	N/A

GENERAL COMMENTS AND RECOMMENDATIONS

Schedule of Findings and Questioned Costs	36
Summary Schedule of Prior Audit Findings	36
Appreciation	36

BEVERLY CITY FIRE DISTRICT NO. 1

BOARD OF FIRE COMMISSIONERS

Kevin Mickle

Chairman

Nancy Richards

Vice-Chairman

Paul Bent

Treasurer

Charlene Rogers

Secretary

Sean Richards

Commissioner

Financial Section

INVERSO & STEWART, LLC

**Certified Public Accountants
Registered Municipal Accountants**

12000 Lincoln Drive West, Suite 402
Marlton, New Jersey 08053
(856) 983-2244
Fax (856) 983-6674
E-Mail: iscpas@concentric.net

**-Member of-
American Institute of CPAs
New Jersey Society of CPAs**

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Beverly City Fire District No. 1
County of Burlington
Tabernacle, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Beverly City Fire District No. 1, in the County of Burlington, State of New Jersey, as of December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Local Finance Board, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 Local Finance Board, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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 Beverly City Fire District No.1, in the County of Burlington, State of New Jersey, as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying management's discussion and analysis, as listed in the table of contents, is the responsibility of management and is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

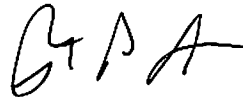
The supplementary financial statements presented are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2013 on our consideration of the Beverly City Fire District's, in the County of Burlington, State of New Jersey, 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* in considering the Beverly City Fire District's internal control over financial reporting and compliance.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Registered Municipal Accountant

Marlton, New Jersey
April 24, 2013

INVERSO & STEWART, LLC

**Certified Public Accountants
Registered Municipal Accountants**

12000 Lincoln Drive West, Suite 402
Marlton, New Jersey 08053
(856) 983-2244
Fax (856) 983-6674
E-Mail: iscpas@concentric.net

**-Member of-
American Institute of CPAs
New Jersey Society of CPAs**

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*

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Beverly City Fire District No. 1
County of Burlington
Tabernacle, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America: the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements as prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey, the financial statements of the Beverly City Fire District No. 1, in the County of Burlington, State of New Jersey, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 24, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Beverly City Fire District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants

A handwritten signature in black ink, appearing to read 'R. P. Inverso', with a stylized, cursive script.

Robert P. Inverso
Certified Public Accountant
Registered Municipal Accountant

Marlton, New Jersey
April 24, 2013

Required Supplementary Information - Part I

Management's Discussion and Analysis

**Beverly City Fire District No. 1
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2012**

As management of the Beverly City Fire District No. 1, New Jersey (Fire District), we offer readers of the Fire District's financial statements this narrative overview and analysis of the Fire District for the fiscal year ended December 31, 2012.

Financial Highlights

- The assets of the Fire District exceeded its liabilities at the close of the most recent fiscal year by \$38,444.
- Governmental activities have unrestricted net assets of \$10,440.
- The total net assets of the Fire District decreased by \$21,464 or a 35.83% decrease from the prior fiscal year-end balance. The majority of the decrease is attributable to the results of operations in the General Fund.
- Fund balance of the Fire District's governmental funds decreased by \$21,464 resulting in an ending fund balance of \$38,444. This decrease is due to the results of operations in the General fund.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Fire District's basic financial statements. The basic financial statements are comprised of three components: 1) District-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide Financial Statements

The *district-wide financial statements* are designed to provide the reader with a broad overview of the financial activities in a manner similar to a private-sector business. The district-wide financial statements include the statement of net assets and the statement of activities.

The *statement of net assets* presents information about all of the Fire District's assets and liabilities. The difference between the assets and liabilities is reported as net assets. Over time, changes 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 net assets of the Fire District changed during the current fiscal year. Changes in net assets are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flows may be recorded in a future period.

Both of the district-wide financial statements distinguish functions of the Fire District that are supported from taxes and intergovernmental revenues (*governmental activities*). Governmental activities consolidate governmental funds including the General Fund, Capital Projects Fund, Special Revenue Fund and Debt Service Fund.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. All of the funds of the Fire District are *governmental funds*.

Governmental funds account for essentially the same information reported in the governmental activities of the district-wide financial statements. However, unlike the district-wide financial statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financing requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The Fire District maintains four individual governmental funds. The major funds are the General Fund, the Special Revenue Fund, the Capital Projects Fund, and the Debt Service Fund. They are presented separately in the fund financial statements.

The Fire District adopts an annual appropriated budget for the General Fund and the Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with budgetary requirements.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

District-wide Financial Analysis

The assets of the Fire District are classified as current assets and capital assets. Cash, investments, and receivables are current assets. These assets are available to provide resources for the near-term operations of the Fire District. The majority of the current assets are the results of the District Tax.

Capital assets are used in the operations of the Fire District. These assets are land, buildings, improvements, equipment and vehicles. Capital assets are discussed in greater detail in the section titled, Capital Assets and Debt Administration, elsewhere in this analysis.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal year 2013. Long-term liabilities such as long-term debt obligations will be liquidated from resources that will become available after fiscal year 2013. The assets of the primary government activities exceeded liabilities by \$38,444 with an unrestricted balance of \$10,440. The net assets of the primary government do not include internal balances.

Net assets of \$28,004 have been restricted to provide for appropriation in the 2013 Budget.

Beverly City Fire District No. 1
Changes in Net Assets
For the Year Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets:		
Current assets	\$ 50,514	\$ 67,808
Receivables, net		
Capital assets	<u> </u>	<u> </u>
Total assets	<u>50,514</u>	<u>72,727</u>
Liabilities:		
Current Liabilities	12,070	7,900
Noncurrent Liabilities	<u> </u>	<u> </u>
Total liabilities	<u>12,070</u>	<u>7,900</u>
Net assets	<u>\$ 38,444</u>	<u>\$ 59,908</u>
Net assets consist of:		
Invested in capital		
Assets, net of related debt	\$	\$
Restricted net assets	28,004	26,596
Unrestricted net assets	<u>10,440</u>	<u>33,312</u>
Net assets	<u>\$ 38,444</u>	<u>\$ 59,908</u>

Governmental Activities

Key elements of the decrease in net assets for governmental activities are as follows:

- General fund expenditures exceeding revenues by \$21,464.

Beverly City Fire District No. 1
Changes in Net Assets
For the Year Ended December 31, 2012 and 2011

	2012	2011
Revenues:		
General Revenues:		
Property Taxes	\$ 138,478	\$ 135,626
Unrestricted State Aid		
Fire Protection Agreement	270,333	259,936
Other Revenues	7,091	8,046
Total Revenues	<u>415,902</u>	<u>403,608</u>
Expenses:		
Governmental Activities:		
Administration	41,027	32,511
Cost of Operations	396,339	370,761
Unallocated		5,653
Total Expenses	<u>437,366</u>	<u>408,925</u>
Changes in net assets	(21,464)	(5,317)
Net assets, January 1	59,908	65,225
Net assets, December 31	<u>\$ 38,444</u>	<u>\$ 59,908</u>

Financial Analysis of the Governmental Funds

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

Governmental Funds - 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 fiscal year.

As of the end of the current fiscal year, the Fire District's governmental funds reported a combined ending fund balance of \$38,444, an decrease of \$21,464 in comparison with the prior year. The decrease is attributable to the results of operations of the General Fund.

The unassigned fund balance for the Fire District at the end of the fiscal year includes an unassigned fund balance for the General Fund of \$10,440. Fund balance in the amount of \$28,004 is reserved to indicate that it is not available for new spending because it has already been committed as a revenue source in the subsequent year's budget

General Fund Budgetary Highlights

At the end of the current fiscal year, unassigned fund balance of the general fund was \$10,440 while total fund balance was \$38,444. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Actual expenditures of the General Fund including other financing uses amounted to \$437,366. Unassigned fund balance (budgetary basis) represents 2.39% of expenditures while total fund balance represents 8.79% of that same amount.

Capital Asset and Debt Administration

The Fire District's investment in capital assets for its governmental activities as of December 31, 2012, totaled \$0.00 (net of accumulated depreciation). This investment in capital assets includes equipment.

Capital Asset (net of accumulated depreciation) For the Year Ended December 31, 2012 and 2011

	2012	2011
Equipment	\$ -	\$ -
Net assets	\$ -	\$ -

Additional information on the Fire District's capital assets can be found in the notes to the basic financial statements (Note 4) of this report.

Long-term debt – During the fiscal year ended December 31, 2012, the Fire District had no long-term debt outstanding.

State statutes limit the amount of general obligation debt that the District may issue. At the end of the current fiscal year, the legal debt limit was \$2,448,859. The available amount as of December 31, 2012 is \$2,448,859.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered and incorporated into the preparation of the Fire District's budget for the 2013 calendar year.

For the 2013 calendar year the Fire District local tax levy in the General Fund increased by \$2,770 over the previous year resulting in a slight increase in the tax rate. Operating expenses continue to increase. The 2013 General Fund Operating Budget is \$6,881 greater than the previous year or a 1.56% increase.

For the Future

The Beverly City Fire District No. 1 is in good financial condition presently. However, a major concern is the continued growth of the City and the ability to provide quality service at an affordable cost.

In conclusion, the Beverly City Fire District No. 1 has committed itself to financial excellence for many years. In addition, the Fire District's system for financial planning and budgeting are well regarded. The Fire District plans to continue its sound fiscal management to meet the challenges of the future.

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. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Beverly City Fire District No. 1 Board of Fire Commissioners, Broad Street, Beverly, New Jersey 08010.

BEVERLY CITY FIRE DISTRICT NO.1
Statement of Net Assets
December 31, 2012

	Governmental Activities
<hr/>	
ASSETS:	
Cash and cash equivalents	\$ 49,002
Receivables, net	1,512
Capital assets, net (Note 4)	
	<hr/>
Total assets	<u>50,514</u>
LIABILITIES:	
Accounts payable	12,070
Due to the City of Beverly	
	<hr/>
Total liabilities	<u>12,070</u>
NET ASSETS:	
Invested in capital assets, net of related debt	
Restricted for:	
Other purposes	28,004
Unrestricted	<u>10,440</u>
	<hr/>
Total net assets	<u><u>\$ 38,444</u></u>

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

BEVERLY CITY FIRE DISTRICT NO.1
Statement of Activities
For the Fiscal Year Ended December 31, 2012

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:					
Administration:					
Other expenses	\$ 41,027				\$ (41,027)
Cost of Operations:					
Other expenses:					
Fire hydrant services	35,982				(35,982)
Maintenance and repairs					
Advertising	649				(649)
Aid to fire companies	351,665			\$ 270,333	(81,332)
Purchase of nonbondable assets					
Utilities					
Supplemental fire services grant	1,512				(1,512)
Uniform Fire Safety Act	6,531		\$ 5,396		(1,135)
Unallocated					
Total governmental activities	437,366		5,396	270,333	(161,637)
Total primary government	\$ 437,366	\$ -	\$ 5,396	\$ 270,333	\$ (161,637)
General revenues:					
Taxes:					
District taxes, levied for general purposes, net					138,478
Supplemental Fire Services Grant					1,512
Miscellaneous					183
Total general revenues, special items, extraordinary items and transfers					140,173
Change in Net Assets					(21,464)
Net Assets--January 1					59,908
Net Assets--December 31					\$ 38,444

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

Fund Financial Statements

BEVERLY CITY FIRE DISTRICT NO.1
Balance Sheet
Governmental Funds
December 31, 2012

	<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					
Assets:					
Cash and cash equivalents	\$ 49,002				\$ 49,002
Accounts Receivable	1,512				1,512
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 50,514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 50,514</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	12,070				12,070
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>12,070</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,070</u>
 Fund Balances:					
Restricted Fund Balance:					
Assigned Fund Balance- designated for subsequent year's expenditures	28,004				28,004
Reserved for future capital outlay					
Unassigned Fund Balance	10,440				10,440
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>38,444</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,444</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$50,514</u>	<u>-</u>	<u>-</u>	<u>-</u>	

Amounts reported for governmental activities 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 \$56,603 and the accumulated depreciation is \$56,603

Net assets of governmental activities

\$ 38,444

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

BEVERLY CITY FIRE DISTRICT NO.1
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
for the Fiscal Year Ended December 31, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local sources:					
Local tax levy	\$ 138,478				\$ 138,478
Uniform Fire Safety Act	5,396				5,396
Fire protection agreement	270,333				270,333
Miscellaneous	183				183
Total revenues-local sources	414,390				414,390
State sources	1,512				1,512
Total revenues	415,902	-	-	-	415,902
EXPENDITURES:					
Current expense:					
Administration:					
Other expenses	41,027				41,027
Cost of Operations:					
Other expenses:					
Fire hydrant services	35,982				35,982
Maintenance and repairs					
Advertising	649				649
Aid to fire companies	351,665				351,665
Purchase of nonbondable assets					
Utilities					
Supplemental fire services grant	1,512				1,512
Uniform Fire Safety Act	6,531				6,531
Total expenditures	437,366				437,366
Excess (deficiency) of revenues over (under) expenditures	(21,464)	-	-	-	(21,464)
Fund balances, January 1	59,908				59,908
Fund balances, December 31	\$ 38,444	-	-	-	\$ 38,444

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

BEVERLY CITY FIRE DISTRICT NO. 1
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
for the Fiscal Year Ended December 31, 2012

Total net change in fund balances - governmental funds (from B-2) \$ (21,464)

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

Capital outlays are reported in the governmental funds as expenditures.
However, on 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 current fiscal year.

Depreciation expense

Capital outlay

Change in net assets of governmental activities

\$ (21,464)

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

Beverly City Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity - Beverly City Fire District No. 1 is located in Burlington County, New Jersey. It is a political subdivision of the City of Beverly and was formed through the adoption of a City ordinance.

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 fire fighting services to the residents within its territorial location. Beverly City Fire District No. 1 has two fire companies within its jurisdiction.

Component Units - Beverly City Fire District No. 1 is not a component unit of any other financial reporting entity nor does the Fire District have any component units to be presented in accordance with Governmental Accounting Standards Board Statement No. 14.

Basis of Presentation -The financial statements of the Fire District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District has elected not to apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after December 31, 1989 to its governmental funds. The more significant of the District's accounting policies are described below.

The district's basic financial statements consists of government-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.

Government-wide Statements - The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government. Eliminations have been made to minimize the double counting of internal activities. The Statement of Net Assets presents the financial condition of the governmental activities of the District at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, are clearly identifiable to a particular function. Indirect expenses are not allocated to programs. Program revenues include charges paid by the recipients of goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the 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 District.

Fund Financial Statements - During the fiscal year, the District segregates transactions related to certain 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 District at this more detailed level reporting. The 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. There are two categories of funds: governmental and fiduciary.

Beverly City Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund - 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 District's major governmental funds:

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. 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 revenue sources, such as state or federal government grants and appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities such as fire houses. The financial resources are derived from temporary notes or serial bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund - The Debt Service Fund is used to account for resources that will be used to service principal and interest payments on general long-term liabilities.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the 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 are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance 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 government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting - Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the 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 and Expenses - Revenues are recorded when they are determined to be available and measurable. Generally, fees and other non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures are recorded when the related liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

Beverly City Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fire District Taxes - Upon the proper certification to the assessor of the municipality in which the Fire District is located, the assessor shall assess the amount of taxes to be raised in support of the Fire District's budget in the same manner as all other municipal taxes. The collector or treasurer of the municipality shall then pay over to the treasurer or custodian of funds of the Fire District the taxes assessed in accordance with the following schedule: on or before April 1, an amount equaling 21.25% of all moneys assessed; on or before July 1, an amount equaling 22.5% of all moneys assessed; on or before October 1, an amount equaling 25% of all moneys assessed; and on or before December 31, an amount equaling the difference between the total of all moneys so assessed and the total amount of moneys previously paid over.

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. 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 the approval of the legal voters. If the voters reject the budget, the Township Committee is required to review and determine the annual budget. Amounts reported under the final budget in Exhibit C-1, include modifications to the adopted budget that were made during the year as approved by the Board of Commissioners.

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 fiscal 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 District has received advances, are reflected in the balance sheet as deferred revenues at fiscal year end.

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

Cash, Cash Equivalents and Investments - Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost. Consequently, unrealized gain or loss on investments has not been recorded in accordance with Governmental Accounting Standards Board Statement No. 31.

Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost. Consequently, unrealized gain or loss on investments has not been recorded in accordance with Governmental Accounting Standards Board Statement No. 31.

Beverly City Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local utilities and other state agencies.

N.J.S.A. 17:9-41et 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 Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having 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 amount of their deposits to the governmental units.

The cash management plan adopted by the District requires it to deposit funds in public depositories protected from loss under the provisions of the Act.

Inventories and Prepaid Expenses - Inventories and prepaid expenses which benefit future periods, other than those recorded in the enterprise funds, are recorded as an expenditures during the year of purchase.

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 District and that are due within one year. These amounts are eliminated in the governmental column of the Statement of Net Assets

Capital Assets

These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-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 valued at their estimated fair market value on the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal repairs and maintenance that do not add to the value of the asset or materially extend assets' lives are not. All reported capital assets except land, land improvements 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>Asset Class</u>	<u>Governmental Activities Estimated Lives</u>
Buildings	30 years
Building Improvements	20 years
Machinery and Equipment	5-20 years
Vehicles	5-10 years

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

Beverly City Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Liabilities and Long-term Obligations - All payables, accrued liabilities, and long-term obligations are reported on the government-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, contractually required pension contributions and compensated absences that will be paid from governmental funds are reported as a liability on 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 balance of any borrowing used for 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 District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Fund Equity - In the fund financial statements, governmental funds report aggregate amounts for three classifications of fund balances based on the constraints imposed on the use of these resources.

The spendable portion of the fund balance comprises the remaining three classifications: restricted, assigned and unassigned.

Restricted fund balance - This classification reflects constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Assigned fund balance - This classification reflects the amounts constrained by the Fire District's "intent" to be used for specific purposes, but are neither restricted nor committed. The Fire Commissioners have the authority to assign amounts to be used for specific purposes.

Unassigned fund balance - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

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 refers to the risk that, in the event of a bank failure, the District's deposits may not be recovered. Although the 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 Unit. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the District relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below.

Beverly City Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2012

NOTE 2. CASH AND CASH EQUIVALENTS (Continued)

As of December 31, 2012, the District's bank balances of \$138,107 were exposed to custodial credit risk as follows:

F.D.I.C. Insured	\$ 138,107
Collateralized Under GUDPA	
Uninsured and Uncollateralized	<u> </u>
Balance December 31, 2012	<u><u>\$ 138,107</u></u>

3. RECEIVABLES

There were no receivables as of year-end for the District's individual major funds.

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2012, was as follows:

	<u>Balance</u> <u>December 31,</u> <u>2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>December 31,</u> <u>2012</u>
Governmental Activities:				
<i>Capital Assets, being depreciated:</i>				
Site Improvements				
Building and Building Improvements				
Equipment	\$ <u>56,603</u>	<u> </u>	<u> </u>	\$ <u>56,603</u>
Totals at historical cost	<u>56,603</u>	<u> </u>	<u> </u>	<u>56,603</u>
<i>Less Accumulated Depreciation:</i>				
Site Improvements				
Building and Building Improvements				
Equipment	<u>(56,603)</u>	<u> </u>	<u> </u>	<u>(56,603)</u>
Totals accumulated depreciation	<u>(56,603)</u>	<u> </u>	<u> </u>	<u>(56,603)</u>
Total Capital Assets, being depreciated, net	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental Activities Capital Assets, Net	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>

5. LONG-TERM DEBT OBLIGATIONS

The District had no long-term debt obligations as of December 31, 2012.

Beverly City Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2012

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters. The District has chosen to purchase insurance to transfer risk to outside parties.

Property and Liability Insurance – The District maintains commercial insurance for all risks of loss, including property, liability, employee health, accident insurance and public official surety bonds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

7. PROPERTY TAXES

The following is a five year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous four years.

Comparative Schedule of Tax Rates

	<u>2012 R</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Tax Rate	\$ 0.11	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16

R – Revaluation.

Assessed Valuation

2012	\$ 122,442,960	R			
2011		\$ 84,082,119			
2010			\$ 84,012,841		
2009				\$ 83,907,600	
2008					\$ 83,822,400

8. FUND BALANCES

The Fire District has classified its fund balances with the following hierarchy:

Nonspendable – The Fire District does not have any nonspendable funds.

Spendable – The Fire District has classified the spendable fund balances as *Restricted*, *Assigned* and *Unassigned* and considered each to have been spent when expenditures are incurred. The Fire District currently has no funds classified as *Committed*.

Assigned:

Designated for Subsequent Year's Expenditures – The Fire District has assigned a total of \$28,004 for appropriation of existing unassigned fund balance at year-end to eliminate a deficit in the upcoming 2013 budget.

Unassigned items - Represents the remainder of the Fire District's equity in governmental fund type balances. The balance at December 31, 2012 is \$10,440.

**Beverly City Fire District No. 1
Notes to Basic Financial Statements
For the Fiscal Year Ended December 31, 2012**

8. FUND BALANCES (CONTINUED)

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

<u>Year</u>		<u>Balance Dec. 31,</u>	<u>Utilized In Budget Of Succeeding Year</u>	<u>Percentage Budget of Succeeding Year</u>
2012	\$	38,444	\$ 28,004	73%
2011		59,908	26,596	44%
2010		59,572	26,889	45%
2009		56,562	17,811	31%
2008		65,223	11,391	17%

9. FIRE PROTECTION AGREEMENT

On December 12, 2003, the City of Beverly Board of Fire Commissioners entered into an agreement with the Township of Edgewater Park Board of Fire Commissioners for the continuance of the provision of fire protection within the Township of Edgewater Park by the Fire Commissioners of the City of Beverly. The agreement was extended through December 31, 2015. In compensation for the fire protection services, Edgewater Park shall pay Beverly for the current year and future years a base contract as follows:

Year 2012	\$270,333.00
Year 2013	\$273,036.00

The Commissioners of the Beverly Fire District No. 1 entered into separate contracts with the Beverly Fire Company No. 1, Hope Hose Company No. 2, Board of Engineers of the City of Beverly and the Fire Police of the City of Beverly to provide Fire Protection services within the City of Beverly and the Township of Edgewater Park. The compensation for Beverly Fire District No.1 and Hope Hose Company No. 2 is based on a proration of the amounts to be received from the Edgewater Park Fire District and budgeted by the Beverly Fire District. The payment of these moneys is contingent upon the appropriate moneys being received by the Beverly Fire District from the Edgewater Park Fire District as more specifically set forth in the agreement entered into between said parties. The payment of moneys is further contingent upon approval by the voters of the Beverly Fire District budget in each particular year.

During 2011 it was agreed that the expenses for the Board of Engineers of the City of Beverly and the Fire Police of the City of Beverly will be paid by the Beverly Fire District No. 1 and has been budgeted by the Beverly Fire District.

Required Supplementary Information - Part II

Budgetary Comparison Schedules

BEVERLY CITY FIRE DISTRICT NO.1
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local sources:					
Local tax levy	\$ 138,478		\$ 138,478	\$ 138,478	
Uniform Fire Safety Act	5,000		5,000	5,396	\$ 396
Fire protection agreement - Edgewater Park	270,333		270,333	270,333	
Miscellaneous				183	183
Total local sources	<u>413,811</u>		<u>413,811</u>	<u>414,390</u>	<u>579</u>
State sources:					
Supplemental Fire Services Grant	<u>1,512</u>		<u>1,512</u>	<u>1,512</u>	
Total state sources	<u>1,512</u>		<u>1,512</u>	<u>1,512</u>	
TOTAL REVENUES	<u>415,323</u>		<u>415,323</u>	<u>415,902</u>	<u>579</u>
EXPENDITURES:					
GENERAL EXPENSE:					
Administration:					
Other Expenses:					
Insurance	29,000		29,000	28,787	213
Professional services	8,500		8,500	6,051	2,449
Travel expense	3,100		3,100	3,100	
Election	600		600	600	
Miscellaneous expense	<u>2,600</u>		<u>2,600</u>	<u>2,489</u>	<u>111</u>
Total Administration	<u>43,800</u>		<u>43,800</u>	<u>41,027</u>	<u>2,773</u>

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

BEVERLY CITY FIRE DISTRICT NO.1
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended December 31, 2012

(Continued from prior page)	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Cost of Operations:					
Other Expenses:					
Fire hydrant services	\$ 36,000		\$ 36,000	\$ 35,982	\$ 18
Advertising	750		750	649	101
Aid to fire companies	352,457		352,457	351,665	792
Supplemental fire services grant	<u>1,512</u>		<u>1,512</u>	<u>1,512</u>	
Total Other Expense	<u>390,719</u>		<u>390,719</u>	<u>389,808</u>	<u>911</u>
Total Cost of Operations	<u>390,719</u>		<u>390,719</u>	<u>389,808</u>	<u>911</u>
Appropriations Off-Set with Revenues:					
Uniform Fire Safety	<u>7,400</u>		<u>7,400</u>	<u>6,531</u>	<u>869</u>
Total Appropriations Off-Set with Revenues	<u>7,400</u>		<u>7,400</u>	<u>6,531</u>	<u>869</u>
Total Expenditures	<u>441,919</u>		<u>441,919</u>	<u>437,366</u>	<u>4,553</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures:	<u>(26,596)</u>		<u>(26,596)</u>	<u>(21,464)</u>	<u>5,132</u>
Fund Balance, January 1	<u>59,908</u>		<u>59,908</u>	<u>59,908</u>	
Fund Balance, December 31	<u>\$33,312</u>		<u>\$33,312</u>	<u>\$38,444</u>	<u>\$5,132</u>
Recapitulation of Fund Balance:					
Designated for Subsequent Years Expenditures				\$28,004	
Unrestricted Fund Balance				<u>10,440</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$38,444</u>	

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

BEVERLY CITY FIRE DISTRICT NO.1
Notes to Required Supplementary Information
Budgetary Comparison

**Explanation of Differences between Budgetary Inflows and Outflows and GAAP
Revenues and Expenditures**

	General Fund
	<hr/>
Sources/inflows of resources	
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	\$ 415,902
Difference - budget to GAAP:	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	
The last State aid payment is recognized as revenue for budgetary purposes and differs from GAAP which does not recognizes this revenue until the subsequent year when the State recognizes the related expense (GASB 33)	
	<hr/>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$ <u>415,902</u>
Uses/outflows of resources	
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 437,366
Differences - budget to GAAP	
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.	
	<hr/>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ <u>437,366</u>

General Comments and Recommendations

SCHEDULE OF FINANCIAL STATEMENT FINDINGS

This section identifies the reportable conditions, 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 the requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

None

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS AS PREPARED BY MANAGEMENT

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


There were no prior year audit findings requiring corrective action.

APPRECIATION

We express our appreciation for the assistance and courtesies extended to us by the Fire District Commissioners during the course of the audit.

Respectfully submitted,

INVERSO & STEWART, LLC



Robert P. Inverso
Certified Public Accountant
Registered Municipal Accountant

April 24, 2012