

**FIRE DISTRICT NO. 3
OF THE TOWNSHIP OF JACKSON**

Financial Statements

For the year ended December 31, 2014

(With Independent Auditor's Report thereon)

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Financial Statements
For the year ended December 31, 2014
(With Independent Auditor's Report thereon)

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INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District No. 3 of the Township of Jackson:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 3 of the Township of Jackson, County of Ocean, State of New Jersey, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fire District No. 3 of the Township of Jackson, County of Ocean, State of New Jersey, as of December 31, 2014, 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.

Emphasis of Matter

As described in Note 13, Fire District No. 3 of the Township of Jackson budgetary records as of December 31, 2013 were not recorded in accordance with N.J.A.C. 5:31-7-1. The District corrected this with an adjustment to the prior year's general fund fund balance in the amount of \$473,882, an adjustment to the prior year's capital projects fund balance in the amount of \$171,540 and an adjustment to the net assets in the fiduciary fund in the amount of \$135,299. Our opinion has not been modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 15 and 44 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fire District No. 3 of the Township of Jackson's basic financial statements. The long-term debt schedule of serial bonds payable on page 46 is presented for purposes of additional analysis and is not a required part of the financial statements.

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

The accompanying comparative totals for December 31, 2013 are presented for purposes of additional analysis and are not a required part of the financial statements. The comparative totals have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2015 on our consideration of the Fire District No. 3 of the Township of Jackson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fire District No. 3 of the Township of Jackson's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

August 19, 2015
Toms River, New Jersey



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

Board of Fire Commissioners
Fire District No. 3 of the Township of Jackson:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fire District No. 3 of the Township of Jackson, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Fire District No. 3 of the Township of Jackson’s basic financial statements, and have issued our report thereon dated August 19, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fire District No. 3 of the Township of Jackson'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 Fire District No. 3 of the Township of Jackson’s internal control. Accordingly, we do not express an opinion on the effectiveness of Fire District No. 3 of the Township of Jackson’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying comments and recommendation section as item 2014-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fire District No. 3 of the Township of Jackson's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs State of New Jersey and which is described in the accompanying comments and recommendations section as item 2014-001.

Purpose of this Report

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

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

August 19, 2015
Toms River, New Jersey

**JACKSON TOWNSHIP FIRE DISTRICT NO. 3
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

As management of Jackson Township Fire District No. 3, we offer readers of the Jackson Fire District No. 3 financial statements this narrative overview and analysis of the financial activities of the Jackson Township Fire District No. 3 for the year ended December 31, 2014. The intent of this narrative is to look at Jackson Township Fire District No. 3's overall financial performance in terms easily understood by the lay person. Please read this in conjunction with the transmittal letters beginning on page 1 and the District's financial statements which begin on page 16. Notes to the financial statements will provide the reader with additional useful information and they begin on page 24.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at December 31, 2014 by approximately \$2.15 million. In 2013 the excess was approximately \$2.3 million. This is a decrease of approximately \$121,100
- During 2014 Jackson Township Fire District No. 3 operated at a deficit of approximately \$121,100. The deficit in 2013 was approximately \$175,100. This is an decrease of approximately \$54,000.
- The District reduced their liabilities by approximately \$341,000 in 2014, and decreased their assets by approximately \$462,100.
- The District reduced their cash balances by approximately \$460,900 in 2014.
- The Board's net position decreased by approximately \$121,100 in 2014.
- The Board changed auditors in 2014 who made prior period adjustments to the financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. Jackson Township Fire District No. 3's basic financial statements are comprised of three components: district-wide financial statements; fund financial statements; and notes to the basic financial statements.

Reporting on the District as a Whole

Our analysis of the District as a whole begins on page 7. District-wide financial statements are provided to give the reader a broad overview of the District's financial position and its financial activity for the year. It is presented in a format similar to the private sector to give the reader a familiar point of reference.

The Statement of Net Position presents information on all the assets and liabilities of Jackson Township Fire District No. 3. The difference between the assets and liabilities is reported as the District's net position. Significant increases or decreases in the District's net position can be an indication of the financial health of the District. The Statement of Activities presents financial information about activities that result in the District's net position increasing or decreasing during the year. Financial activities are recorded when the transactions occur rather than when the cash is received or disbursed. As a result, there could be activities that result in cash flow in a future period.

The district-wide financial statements report on the financial data by function. Jackson Township Fire District No. 3 has two basic functions: activities that are supported by property taxes; and activities supported by other governmental activities. Jackson Township Fire District No. 3 provides firefighting services to the citizens of Jackson Township. The District also provides services for the enforcement of the state and local fire codes and fire prevention education.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, Jackson Township Fire District No. 3 uses fund accounting to document compliance with finance-related legal matters. Jackson Township Fire District No. 3 has two types of fund groups, and that is governmental funds and fiduciary funds.

Governmental Funds

Jackson Township Fire District No. 3'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 the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's services.

Jackson Township Fire District No. 3 maintains three separate government funds, the General Fund, the Debt Service Fund, and the Capital Projects Fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital fund.

The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.

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

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District on behalf of outside third parties, or other funds within the District. There are two fiduciary funds in the District. One is the Payroll Agency which is used for the payment of wages and payroll liabilities. The second fiduciary fund is the Length of Service Award Program (LOSAP). LOSAP is an annuity program for the volunteer firefighters (see Note 9).

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.

DISTRICT-WIDE FINANCIAL ANALYSIS

Jackson Township Fire District No. 3's net position is a useful indicator of the District's financial condition. At the end of 2014, the District's assets exceeded its liabilities by approximately \$2.1 million. The largest portion of Jackson Township Fire District No. 3's net position (75.7%) is its investment in capital assets. The District uses these assets to provide fire-fighting services to the community; consequently, these assets are not available for future spending. Jackson Township Fire District No. 3's investment in capital assets is reported net of related debt. Since the capital assets are not available to liquidate the debt, other sources must be utilized for the repayment of the debt. As of December 31, 2014 the District had \$630,000 of long term debt.

Statement of Net Position

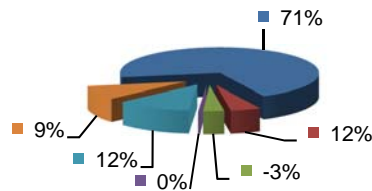
**JACKSON TOWNSHIP FIRE DISTRICT NO. 3
NET POSITION
DECEMBER 31, 2014**

	2014	2013	\$ Increase (Decrease)	% Increase (Decrease)
Current and Other Assets	\$1,121,016	\$1,624,596	(503,580)	(31.0%)
Capital Assets	<u>2,185,889</u>	<u>2,144,409</u>	+41,480	+1.9%
Total Assets	3,306,905	3,769,005	(462,100)	(12.3%)
Total Liabilities	<u>(1,153,989)</u>	<u>(1,495,019)</u>	(341,030)	(22.8%)
Net Assets	<u>\$2,152,916</u>	<u>\$2,273,986</u>	(121,070)	(5.3%)

Analysis of Net Position

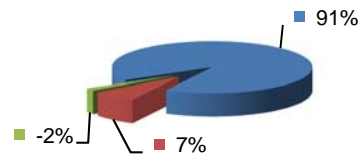
Invested in Capital Assets Net of Related Debt	\$1,555,889	\$2,144,409	(588,520)	(27.4%)
Restricted for Capital Projects	107,766	171,540	(63,774)	(37.2%)
Restricted for Debt Service	(84,868)	- 0 -	+84,868	+100.0%
Restricted for Other Purposes	7,037	- 0 -	+7,037	+100.0%
Designated for Subsequent Year Expenditures	265,000	- 0 -	+265,000	+100.0%
Unrestricted	<u>302,092</u>	<u>(41,963)</u>	+344,055	+819.9%
Total Net Position	<u>\$2,152,916</u>	<u>\$2,273,986</u>	(121,070)	(5.3%)

2014 Net Position



■ Invested in Net Assets ■ Capital Projects
■ Debt Service ■ Other Purposes
■ Designated ■ Unrestricted

2013 Net Position



■ Invested in Net Assets ■ Capital Projects
■ Unrestricted

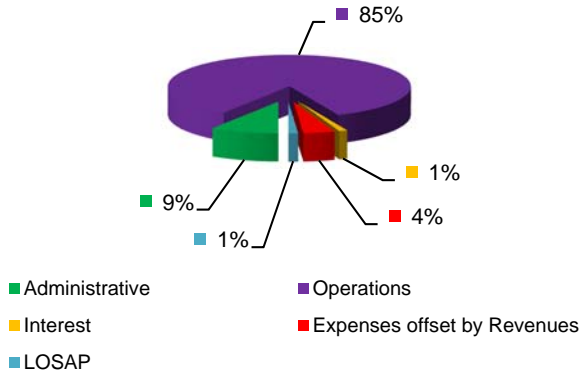
The net position of Jackson Township Fire District No. 3 decreased approximately \$121,100 during the 2014 period. This decrease was due primarily to the District's shortfall of revenues over expenditures. Other major changes in net position at December 31, 2014 were an approximately \$341,000 decrease in liabilities and an approximately \$462,100 decrease in assets. The District added approximately \$726,800 of capital assets during the year. In 2014 the capital assets increased by approximately \$41,500 after depreciation expense.

Governmental Activities

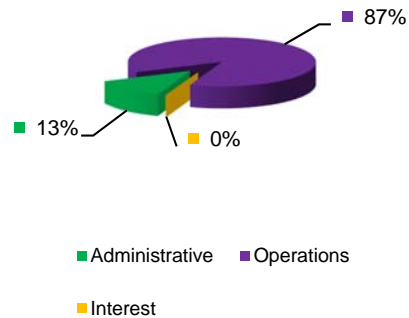
The Statement of Activities shows the cost of the governmental activities program services and the charges for services and grants offsetting these costs. A summary of these activities follows:

	2014	2013	\$ Increase (Decrease)	% Increase (Decrease)
Expenses				
Program Expenses				
Administrative Expenses	\$ 268,891	\$ 354,350	(85,459)	(24.1%)
Cost of Operations & Maintenance	2,496,804	2,462,474	+34,330	+1.4%
Operating Appropriations Offset				
With Revenues	123,222	- 0 -	+123,222	+100.0%
Length of Service Award Prog.	38,500	- 0 -	+35,500	+100.0%
Interest on Long-Term Debt	<u>32,903</u>	<u>2,034</u>	+30,869	1517.6%
Total Program Expenses	2,960,320	2,818,858	+141,462	+5.0%

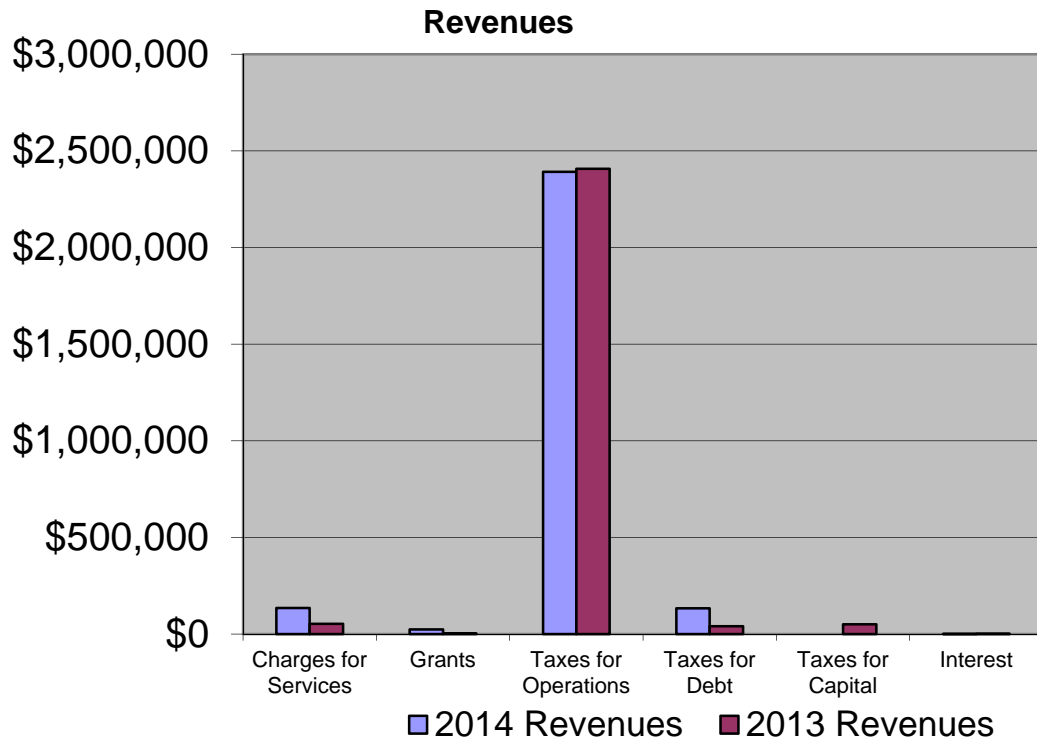
2014 Program Expenses



2013 Program Expenses



	2014	2013	\$ Increase (Decrease)	% Increase (Decrease)
Program Revenues				
Charges for Services	134,647	52,472	+82,175	+156.6%
Operating Grants & Contributions	<u>23,387</u>	<u>3,257</u>	+20,130	+618.1%
Net Program Expenses	<u>2,802,286</u>	<u>2,763,129</u>	+39,157	+1.4%
General Revenues				
Property Taxes Levied for General Purposes	2,391,463	2,406,647	(15,184)	(.6%)
Property Taxes Levied for Debt Service	132,635	40,234	+92,401	+229.7%
Property Taxes Levied for Future Capital Purposes	- 0 -	50,000	(50,000)	(100.0%)
Unrestricted Investment Earnings	679	1,253	(574)	(45.8%)
Miscellaneous Income	<u>59,262</u>	<u>225,475</u>	(166,213)	(73.7%)
Total General Revenues	<u>2,584,039</u>	<u>2,723,609</u>	(139,570)	(5.1%)
Increase (Decrease) in Net Position	(218,247)	39,520	(257,767)	(652.2%)
Net Position, January 1	<u>2,273,986</u>	<u>2,234,466</u>	+39,520	+1.8%
Net Position, December 31	<u>\$2,055,739</u>	<u>\$2,273,986</u>	(218,247)	(9.6%)



Property tax revenue constituted 92% of the total governmental activities revenues received by Jackson Township Fire District No. 3 in 2014. In 2013 the property tax revenue constituted 90% of total revenues.

The Cost of Operations & Maintenance was 85% and 87% of the District's total expenses in 2014 and 2013 respectively. Administration expenses equaled 9% and 13% of the total expenses in 2014 and 2013 respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

Jackson Township Fire District No. 3 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, 2014, the combined balance of the governmental cash funds of Jackson Township Fire District No. 3 was approximately \$1,070,700. This balance is approximately \$460,900 lower than last year's combined governmental funds balance. The decrease is due primarily to the deficits in the operations and Capital expenditures.

The combined balance of the governmental funds of Jackson Township Fire District No. 3 was approximately \$1,003,000. Unreserved fund balance amounted to approximately \$698,300 of that total. Funds of \$265,000 have been designated for use in the 2015 Budget. Funds in the amount of approximately \$7,000 have been designated for additional 2014 purchase orders (encumbrances).

The general fund is the main operating fund of Jackson Township Fire District No. 3. At the end of 2014, the total fund balance of the general fund was approximately \$970,300. Of this balance, approximately \$698,300 of it was unreserved.

During 2014 the general fund balance of Jackson Township Fire District No. 3 increased by approximately \$311,800. The primary reasons for this increase are as follows:

- The Board expended more funds than they received in revenues by approximately \$162,100.
- The new auditor did a prior period adjustment of approximately \$473,900.

At the end of 2014, the District had a capital projects fund balance of approximately \$107,800. This balance decreased from 2013 by approximately \$6,300. The major change in this fund balance was:

- A capital appropriation from the general fund of approximately \$177,800.
- A prior period adjustment of approximately \$171,600.

General Fund Budgetary Highlights

The Board assumes the responsibilities of the Uniform Fire Safety Act (UFSA) in the District. UFSA revenues are a factor of enforcement. The fees charged in 2014 were approximately 5% of the operating revenues.

The 2014 Budget had a deficit in revenues and required the utilization of unrestricted surplus accumulated from prior years. The unused surplus becomes available for future budget periods as undesignated surplus in the General Fund.

The District had total actual revenues in excess of budgeted revenues of approximately \$44,200 in 2014. Any excess in 2015 is expected to be similar.

Overall, the District spent approximately \$83,700 less than originally anticipated in the operating budget for 2014. The Board overspent the Capital budget by approximately \$253,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2014 Jackson Township Fire District No. 3 had invested in capital assets for government activities of approximately \$2,185,900 (net of accumulated depreciation). Capital assets consist of firehouse improvements, fire apparatus, fire equipment, and office equipment. They purchased approximately \$726,800 of equipment and apparatus in 2014.

JACKSON TOWNSHIP FIRE DISTRICT NO. 3
 CAPITAL ASSETS
 (NET OF ACCUMULATED DEPRECIATION)
 DECEMBER 31, 2014

	2014	2013	Change
Firehouse & Land	\$ 1,886,645	\$ 1,813,567	+73,078
Vehicles & Apparatus	3,378,129	2,823,254	+554,875
Equipment	<u>515,619</u>	<u>416,817</u>	+98,802
Total Capital Assets	5,780,393	5,053,638	+726,755
Accumulated Depreciation	<u>3,594,504</u>	<u>3,451,784</u>	+142,720
Investment in Capital Assets – net	<u>\$ 2,185,889</u>	<u>\$ 1,601,854</u>	+584,035

Additional information on Jackson Township Fire District No. 3’s capital assets can be found in note 5 in the notes to the financial statements.

Long-Term Obligations

In 2013 Jackson Township Fire District No. 3 issued \$700,000 of general obligation bonds to purchase a pumper truck. The payments are \$70,000, plus interest, paid annually for ten years. The Board also had a \$114,600 bond anticipation note which they paid off in full in 2014. Employees are permitted to accumulate compensated absences subject to contract provisions. As of December 31, 2014 there was an accumulated balance of approximately \$405,500.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

In 2014, Jackson Township Fire District No. 3 was able to cover all its appropriations through the fire tax levy and other revenues. In 2014 the fire tax levy amounted to 92% of total revenue collected.

Jackson Township Fire District No. 3 adopted their 2015 budget on January 14, 2015. The voters subsequently voted to approve the budget at the February election. The 2015 adopted budget reflected an increase in the tax levy of \$73,531. The Board anticipates no significant change in the fire tax rate. It is projected that a family with a home assessed at \$250,000 will pay approximately \$262 in 2015 for fire protection.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Jackson Township Fire District No. 3's finances for all of those with an interest in the District's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Cheryl Parker, Jackson Township Fire District No. 3, 200 Kierych Memorial Drive, Jackson, New Jersey, 08527.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Statement of Net Position
December 31, 2014

	Governmental Activities
	<u>2014</u>
Assets:	
Current assets:	
Cash	\$ 1,070,712
Due from others	41,029
Prepaid expenses	9,275
Total current assets	1,121,016
Capital assets (net of depreciation)	2,185,889
Total assets	3,306,905
Liabilities:	
Current liabilities:	
Accounts payable	77,512
Accrued professional fees	15,000
Accrued interest	9,725
Accrued payroll	16,268
Bonds payable	70,000
Total current liabilities	188,505
Noncurrent liabilities:	
Bonds payable	560,000
Compensated absences	405,484
Total noncurrent liabilities	965,484
Total liabilities	1,153,989
Net position:	
Net investment in capital assets	1,555,889
Restricted net position:	
Other purposes	7,037
Debt service	(84,868)
Capital	107,766
Designated for subsequent year's expenditures	265,000
Unreserved net position	302,092
Total net position	\$ 2,152,916

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Statement of Activities
For the year ended December 31, 2014

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities 2014</u>
Government activities:			
Operation appropriations:			
Administration	\$ 268,891	\$ -	\$ (268,891)
Costs of operations and maintenance	2,399,628	134,647	(2,264,981)
Operating appropriations offset with revenues	123,222	-	(123,222)
Interest expense	32,903	-	(32,903)
Length of service award program	38,500	-	(38,500)
	<hr/>	<hr/>	<hr/>
Total government activities	2,863,144	134,647	(2,728,497)
General revenues:			
Miscellaneous revenue			59,941
Operating grant revenues			23,387
Amount raised by taxation			2,524,098
			<hr/>
Total general revenues			2,607,426
Change in net position			(121,071)
Net position, January 1			<hr/>
			2,273,987
Net position, December 31			<hr/> <hr/>
			\$ 2,152,916

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Balance Sheet
Governmental Funds
December 31, 2014

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u> <u>December 31, 2014</u>
Assets:				
Cash	\$ 1,070,712	\$ -	\$ -	\$ 1,070,712
Due from others	41,029	-	-	41,029
Other receivable	75,143	107,766	-	182,909
Total assets	1,186,884	107,766	-	1,294,650
Liabilities, equity and other credits:				
Accounts payable	77,512	-	-	77,512
Accrued professional fees	15,000	-	-	15,000
Accrued payroll	16,268	-	-	16,268
Other payable	107,766	-	75,143	182,909
Total liabilities	216,546	-	75,143	291,689
Fund balances				
Restricted for:				
Debt service	-	-	(75,143)	(75,143)
Capital	-	107,766	-	107,766
Assigned for:				
Subsequent year's expenditures	265,000	-	-	265,000
Other purposes	7,037	-	-	7,037
Unassigned, reported in:				
General fund	698,301	-	-	698,301
Total fund balance	970,338	107,766	(75,143)	1,002,961
Total liabilities and fund balance	\$ 1,186,884	\$ 107,766	\$ -	
Amounts reported for governmental activities in the statement of net position (A-1) are different because:				
Prepaid insurance is reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is expensed over the term of the policy as insurance expense.				9,275
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$5,780,393 and the accumulated depreciation is \$3,594,504.				2,185,889
Accrued interest not recorded in current financial statements.				(9,725)
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported as liabilities in the funds.				(1,035,484)
Net position of governmental activities				\$ 2,152,916

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the year ended December 31, 2014

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals December 31, 2014</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 679	\$ -	\$ -	\$ 679
Other revenue	59,262	-	-	59,262
Total miscellaneous revenues	59,941	-	-	59,941
Operating grant revenues:				
Supplemental fire service act	3,257	-	-	3,257
Other grant revenue	20,130	-	-	20,130
Total operating grant revenues	23,387	-	-	23,387
Uniform fire safety act revenues:				
Annual registration fees	74,676	-	-	74,676
Penalties and fines	2,078	-	-	2,078
Other revenue	57,893	-	-	57,893
Total uniform fire safety act revenues	134,647	-	-	134,647
Total revenues	217,975	-	-	217,975
Amount raised by taxation to support district budget	2,391,463	-	132,635	2,524,098
Total anticipated revenues	2,609,438	-	132,635	2,742,073
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	21,000	-	-	21,000
Fringe benefits	33,384	-	-	33,384
Other expenditures:				
Professional fees	72,508	-	-	72,508
Elections	2,629	-	-	2,629
Office supplies and postage	14,100	-	-	14,100
Membership dues, subscriptions, licenses	6,334	-	-	6,334
Insurance	43,634	-	-	43,634
Operation	3,116	-	-	3,116
Total administration	196,705	-	-	196,705
Cost of operations and maintenance:				
Salaries and wages	1,128,967	-	-	1,128,967
Fringe benefits	663,479	-	-	663,479
Other expenditures:				
Conventions	12,176	-	-	12,176
Fire equipment	19,392	-	-	19,392
Fuel	28,585	-	-	28,585
Gear	54,951	-	-	54,951
Hydrant Rentals	63,315	-	-	63,315
Maintenance and repairs	179,473	-	-	179,473
Supplies	5,049	-	-	5,049

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the year ended December 31, 2014
(With comparative totals for the year ended December 31, 2013)

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals December 31, 2014</u>
Training and education	44,291	-	-	44,291
Utilities	63,432	-	-	63,432
Volunteer fire company	117,000	-	-	117,000
Contingent expenses	23,949	-	-	23,949
Other non-bondable assets	9,068	-	-	9,068
	<u>2,413,127</u>	<u>-</u>	<u>-</u>	<u>2,413,127</u>
Total cost of operations and maintenance				
Operating appropriations offset with revenues:				
Salaries and wages	105,339	-	-	105,339
Other expenditures:				
Fire prevention bureau	16,203	-	-	16,203
Basic entitlement grant	1,680	-	-	1,680
	<u>123,222</u>	<u>-</u>	<u>-</u>	<u>123,222</u>
Total operating appropriations offset with revenues				
Length of service award program	38,500	-	-	38,500
Debt service for capital appropriations:				
General obligation bonds	-	-	70,000	70,000
Bond anticipation notes	-	-	114,600	114,600
Interest on general obligation bonds	-	-	20,886	20,886
Interest on bond antcipaion notes	-	-	2,292	2,292
	<u>-</u>	<u>-</u>	<u>207,778</u>	<u>207,778</u>
Total debt service for capital appropriations				
Capital appropriations	<u>-</u>	<u>177,839</u>	<u>-</u>	<u>177,839</u>
Total operating appropriations	<u>2,771,554</u>	<u>177,839</u>	<u>207,778</u>	<u>3,157,171</u>
Excess (efficiency) of revenues over (under) expenditures	<u>(162,116)</u>	<u>(177,839)</u>	<u>(75,143)</u>	<u>(415,098)</u>
Fund balance, January 1	658,572	114,065	-	772,637
Prior period adjustment	473,882	171,540	-	645,422
Fund balance, January 1 (restated)	<u>1,132,454</u>	<u>285,605</u>	<u>-</u>	<u>1,418,059</u>
Fund balance, December 31	<u>\$ 970,338</u>	<u>\$ 107,766</u>	<u>\$ (75,143)</u>	<u>\$ 1,002,961</u>

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance in
the Governmental Funds to the Statement of Activities
December 31, 2014

Total net changes in Fund Balance-Governmental Funds (B-2)	\$	(415,098)
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p>		
<p>Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital Outlays-General Fund	6,360	
Capital Outlays-Capital Projects Fund	177,839	
Depreciation Expense	<u>(142,720)</u>	41,479
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.</p>		
		70,000
<p>Repayment of bond anticipation note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.</p>		
		114,600
<p>Accrual of interest on bonds is not an expenditure in the governmental funds, but the adjustment is charged to expense and is reported in the statement of activities.</p>		
Prior year	-	
Current year	<u>(9,725)</u>	(9,725)
<p>Prepaid insurance is reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is expensed over the term of the policy as insurance expense.</p>		
Prior year	(39,277)	
Current year	<u>9,275</u>	(30,002)
<p>Accrual of reserves are not expenditures in the governmental funds, but the adjustment is charged to expense and is reported in the statement of activities.</p>		
Prior year	149,859	
Current year	<u>-</u>	149,859
<p>In the statement of activities, certain operating expenses, e.g., compensated absences (sick leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used, essentially, the amounts actually paid. This year, the increase in sick leave paid was \$42,184.</p>		
		<u>(42,184)</u>
Changes in net position of governmental activities	\$	<u><u>(121,071)</u></u>

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Fiduciary Funds
Statement of Net Position
December 31, 2014

	<u>Length of Service Award Program</u>	<u>Totals</u> <u>December 31, 2014</u>
Assets:		
Investments	\$ 168,689	\$ 168,689
Total assets	<u>168,689</u>	<u>168,689</u>
Net position:		
Reserved:		
For Length of Service Award Program	<u>168,689</u>	<u>168,689</u>
Total net position	<u>\$ 168,689</u>	<u>\$ 168,689</u>

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Length of Service Award
For the year ended December 31, 2014

		<u>Totals</u>
		<u>December 31,</u> <u>2014</u>
Revenues and Other Financing Sources:		
District contributions	\$	38,500
Interest income		11,419
Total revenues and other financing sources		<u>49,919</u>
Expenditures:		
Administrative fees and refunds		1,434
Withdrawals		15,096
Total expenditures		<u>16,530</u>
Change in net position		<u>33,389</u>
Net position, January 1		-
Prior period adjustment		135,299
Net position, January 1 (restated)		<u>135,299</u>
Net position, December 31	\$	<u><u>168,689</u></u>

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements
For the year ended December 31, 2014

NOTE 1: GENERAL INFORMATION

A. Description of Reporting Entity

Fire District No. 3 of the Township of Jackson is a political subdivision of the Township of Jackson, County of Ocean, State of New Jersey. A board of five commissioners oversees all of the operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of every February.

Fire Districts are governed by the *N.J.S.A. 40A: 14-70* et al. and are taxing authorities charged with the responsibility of providing the resources necessary to provide fire fighting services to the residents within its territorial location.

Fire District No. 3 of the Township of Jackson 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.

B. District Officials

The District is governed by a board of five commissioners. The following were in office at December 31, 2014:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
Stephen Gibson	2016
Michael Fatovic	2015
Scott Jordan	2016
Brad Reiter	2017
John Walter	2015

C. Accounting Records

The official accounting records of the Fire District No. 3 of the Township of Jackson are maintained in the office of the District.

D. Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

E. Component Units

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 whether:

- ◆ the organization is legally separate (can sue or be sued in their own name)
- ◆ the District holds the corporate powers of the organization

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2014

NOTE 1: GENERAL INFORMATION (continued)

E . Component Units (continued)

- ◆ the District appoints a voting majority of the organization's board
- ◆ the District is able to impose its will on the organization
- ◆ the organization has the potential to impose a financial benefit/burden on the District
- ◆ there is a fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of the Fire District conform to generally accepted accounting principles (GAAP) applicable to governmental funds of state and local governments in accordance with the provisions of N.J.A.C. 5:31-7-1. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

The basic financial statements report using the economic resources measurement focus and the accrual basis of accounting generally includes the reclassification or elimination of internal activity (between or within funds). Fiduciary fund financial statements also report using the same focus. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. The tax revenues are recognized in the year for which they are levied (see Note 2 O) while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon thereafter, within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

B. Fund Accounting

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."

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

Governmental Funds:

General Fund

The General Fund is the general operating fund of the Fire District and is used to account for the inflows and outflows of financial resources. The acquisition of certain capital assets, such as fire fighting apparatus and equipment, is accounted for in the General Fund when it is responsible for the financing of such expenditures.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities such as firehouses and firefighting apparatus. Generally, the financial resources of the Capital Projects Fund are derived from the issuance of debt or by the reservation of fund balance, which must be authorized by the voters as a separate question of the ballot either during the annual election or at a special election.

Debt Service Fund

The Debt Service Fund is used to account for resources that will be used to service general long-term debt.

Fiduciary Funds:

Fiduciary funds are used to account for assets held by a governmental entity for other parties (either as trustee or as an agent) and that cannot be used to finance the governmental entity's own operating programs which includes private purpose trust funds and agency funds.

Trust and Agency Fund

The Trust and Agency Fund is used to account for assets held by the Fire District on behalf of outside parties, including other governments, or on behalf of other funds within the Fire District.

C. District Wide and Fund Financial Statements

District Wide Financial Statements

The district-wide financial statements (A-1 and A-2) report information of all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these district-wide statements. District activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. District Wide and Fund Financial Statements (continued)

significant extent on fees and charges for support. Individual funds are not displayed but the statements distinguish governmental activities as generally supported through taxes and user fees.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. The District does not allocate general government (indirect) expenses to other functions.

Net position is restricted when constraints placed on it is either externally imposed or imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units. However, the fiduciary funds are not included in the district-wide statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

The fund financial statements provide detail of the governmental and fiduciary funds.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and private purpose trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net position.

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, private purpose 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. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recognized in the

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

In its accounting and financial reporting, the Fire District No. 3 of the Township of Jackson follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Fire District No. 3 of the Township of Jackson's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

E. Budgets and Budgetary Accounting

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 adopt the annual budget no 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.

Subsequent to the adoption of the Fire District budget, the amount of money to be raised by taxation in support of the Fire District budget must appear on the ballot for the annual election for approval of the legal voters.

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

F. Encumbrances

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

Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current year-end. The encumbrances at December 31, 2014 totaled \$7,037.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Cash and Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds and cash in banks. Fire Districts 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 organized under the laws of the United States or of the State of New Jersey or with the New Jersey Cash Management Fund. N.J.S.A. 40A: 5-15.1 provides a list of investments that may be purchased by fire districts.

N.J.S.A. 17:9-42 requires New Jersey governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the provision of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in the State of New Jersey.

Public funds are defined as the funds of any governmental unit. Public depositories include savings and loan institutions, banks (both State and National banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of five percent of its average daily balance of collected public funds, to secure the deposits of governmental units. If the public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

H. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, are recorded as expenditures during the year of purchase.

I. Debt Limitation

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

J. Capital Assets

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Capital Assets (continued)

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

Building and Improvements	10 to 40 Years
Equipment	5 to 15 Years
Vehicles and Apparatus	5 to 25 Years

K. Inventory, Materials and Supplies

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

L. Interfund Receivable/Payable

Interfund receivables and payables that arise from transactions between funds that are due within one year are recorded by all funds affected by such transactions in the periods in which the transaction is executed.

M. Compensated Absences

Fire District employees are entitled to vacation and sick leave. Unused vacation and sick leave may be accumulated up to a maximum payment of \$15,000. Benefits paid in any future year will be calculated according to formulas outlined in the Fire District's agreement with the employee's union and included in the current year's budget.

The liability for vested compensated absences is recorded as a non-current liability in the governmental activities fund. The current portion of the compensated absence balance is not considered material to the applicable fund's total liabilities, and is therefore not shown separately from the long-term liability balance of compensated absences.

N. Revenues and Expenditures

Revenues are recorded when they are determined to be both available and measurable. Generally, fees and other non-tax revenues 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.

O. Fire District Taxes

Upon 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 realized 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, and amount equaling 21.25% of all monies

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Fire District Taxes (continued)

assessed, on or before July 1, an amount equaling 22.5% of all monies assessed, on or before October 1, an amount equaling 25% of all monies assessed, and on or before December 31 an amount equal to the difference between the total of all monies assessed and the total of monies previously paid over.

P. Fund Equity

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Fire District No. 3 of the Township of Jackson classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by external parties, constitutional provision or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Business Administrator.
- Unassigned – includes balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds

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

Q. Net Position

Net position, represents the difference between summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified in the following three components:

- Net Investment in Capital Assets – This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- Restricted – Net position is 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.
- Unrestricted – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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.

S. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

In March 2012, the GASB issued Statement 66, *Technical Corrections—2012*—an amendment of GASB Statements No. 10 and No. 62. GASB 66 improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement is effective for periods beginning after December 15, 2012 although the District elected to early implement Statement 62 in fiscal year 2012. The adoption of GASB 66 does not have any impact on the District's financial statements.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012. The adoption of GASB 65 does not have any impact on the District's financial statements.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27*. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

T. Unrealized Gains and Losses

Governmental Accounting Standards Board (GASB) has established GASB-31, which requires public agencies to report the financial effect of all unrealized gains and losses on invested funds. As of December 31, 2014, the unrealized gains for the Fire District were not considered to be material to the financial statements taken as a whole, and accordingly, have not been reflected in the financial statements.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U. Fair Value Measurement

The District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level I – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the District has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

Level II – Inputs that include quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level III – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values. Subsequent to initial recognition, the District may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

The following methods and assumptions were used by the District in estimating the fair value of its financial instruments:

Mutual funds: Valued at the net asset value (NAV) of shares held by the plan at year end.

Fixed Account Investment Contract: Valued at the contract's market value as reported by the insurance company.

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The table in Note 4 sets forth by level, within the fair value hierarchy, the LOSAP's assets at fair value as of December 31, 2014.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

V. Subsequent Events

Fire District No. 3 of the Township of Jackson has evaluated subsequent events occurring after December 31, 2014 through the date of August 19, 2015, which is the date the financial statements were available to be issued.

NOTE 3: CASH

The Fire District is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2014, and reported at fair value are as follows:

<u>Type</u>	<u>Carrying Value</u>
Deposits:	
Demand deposits	\$ <u>1,070,712</u>
Total deposits	\$ <u>1,070,712</u>
Reconciliation to Governmental and Fiduciary Fund Statements:	
Governmental Funds	\$ <u>1,070,712</u>
Total	\$ <u>1,070,712</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2014, the District's bank balance of \$1,123,515 was insured or collateralized as follows:

Insured	\$ 353,635
Collateralized not in the District's name (New Jersey Cash Management Fund)	53,333
Collateralized in the District's name under GUDPA	<u>716,547</u>
Total	<u>\$ 1,123,515</u>

NOTE 4: INVESTMENTS

A. Custodial Credit Risk

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2014

NOTE 4: INVESTMENTS (continued)

A. Custodial Credit Risk (continued)

but not in the Fire District's name. All of the District's investments are held in the name of the District and are collateralized by GUDPA.

B. Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Fire District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at December 31, 2014, are provided in the below schedule.

C. Investment Credit Risk

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

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2014

NOTE 4: INVESTMENTS (continued)

C. Investment Credit Risk (continued)

The following table sets forth by level, within the value hierarchy, the District's assets at fair value at December 31, 2014.

	<i>Assets at Fair Value as of December 31, 2014</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
LOSAP:				
Mutual funds:				
Growth	\$ 91,148	\$ -	\$ -	\$ 91,148
Small Blend/Value	11,530	-	-	11,530
Mid-Cap Blend/Growth	3,919	-	-	3,919
Large Growth/Value	2,462	-	-	2,462
Real Estate	2,136	-	-	2,136
International Securities	718	-	-	718
Total mutual funds	<u>111,913</u>	<u>-</u>	<u>-</u>	<u>111,913</u>
Fixed Account Investment Contract	-	-	56,776	56,776
Total assets at fair value	<u>\$ 111,913</u>	<u>\$ -</u>	<u>\$ 56,776</u>	<u>\$ 168,689</u>

Level III Gains and Losses

The following table sets forth a summary of changes in the fair value of the LOSAP's Level III assets for the year ended December 31, 2014.

Level 3 Assets
Year Ended December 31, 2014

	<u>Fixed Account</u>
Balance, beginning of year	\$ 46,928
Purchases, sales, issuances, and settlements (net)	9,457
Gain and (losses)	<u>391</u>
Balance, end of year	<u><u>\$ 56,776</u></u>

NOTE 5: CAPITAL ASSETS

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2014

NOTE 5: CAPITAL ASSETS (continued)

Fixed assets consisted of the following at December 31, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets that are not being depreciated:				
Land	\$ 129,300	\$ -	\$ -	\$ 129,300
Other non-depreciable assets	9,909	-	-	9,909
Total capital assets that are not being depreciated	<u>139,209</u>	<u>-</u>	<u>-</u>	<u>139,209</u>
Vehicles and apparatus	2,823,254	554,875	-	3,378,129
Buildings and improvements	1,684,267	73,078	-	1,757,345
Equipment	<u>406,908</u>	<u>98,802</u>	<u>-</u>	<u>505,710</u>
Totals at historical cost	<u>4,914,429</u>	<u>726,755</u>	<u>-</u>	<u>5,641,184</u>
Less: accumulated depreciation				
Trucks and vehicles	(1,632,537)	(115,415)	-	(1,747,952)
Buildings and improvements	(1,457,286)	(12,340)	-	(1,469,626)
Equipment	<u>(361,961)</u>	<u>(14,965)</u>	<u>-</u>	<u>(376,926)</u>
Total accumulated depreciation	<u>(3,451,784)</u>	<u>(142,720)</u>	<u>-</u>	<u>(3,594,504)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>\$ 1,601,854</u>	<u>\$ 584,035</u>	<u>\$ -</u>	<u>\$ 2,185,889</u>

NOTE 6: LONG-TERM OBLIGATIONS

During the fiscal year ended December 31, 2014 the following changes occurred in liabilities reported in long-term debt:

	<u>Balance 12/31/2013</u>	<u>Accrued/ increases</u>	<u>Retired/ decreases</u>	<u>Balance 12/31/2014</u>	<u>Due within one year</u>
Bonds payable	\$ 700,000	\$ -	\$ 70,000	\$ 630,000	\$ 70,000
Bond anticipation note	114,600	-	114,600	-	-
Compensated absences	<u>363,300</u>	<u>42,184</u>	<u>-</u>	<u>405,484</u>	<u>-</u>
Total	<u>\$1,177,900</u>	<u>\$ 42,184</u>	<u>\$ 184,600</u>	<u>\$1,035,484</u>	<u>\$ 70,000</u>

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2014

NOTE 6: LONG-TERM OBLIGATIONS (continued)

A. Bonds Payable

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

On July 15, 2013, the Fire District issued \$700,000 general obligation bonds at an interest rate of 3.10% for a pumper truck. The final maturity of these bonds is July 15, 2023. The bond will be paid from property tax revenue.

Principal and interest due on bonds outstanding is as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 70,000	\$ 18,445	\$ 88,445
2016	70,000	16,275	86,275
2017	70,000	14,105	84,105
2018	70,000	11,935	81,935
2019	70,000	9,785	79,785
2020-2023	<u>280,000</u>	<u>17,340</u>	<u>297,340</u>
	<u>\$ 630,000</u>	<u>\$ 87,885</u>	<u>\$ 717,885</u>

B. Bond Anticipation Note

On April 18, 2013, the District issued a \$114,600 bond anticipation note bearing an interest rate of 2.00%. The purpose of the note was to finance the purchase of firefighting equipment. The note matured on April 18, 2014 and the District paid the note in full.

NOTE 7: VESTED EMPLOYEE BENEFITS

In accordance with GASB-16 and NCGA-1 (Governmental Accounting and Financial Reporting Principles), the portion of estimated future payments for compensated absences that will use current expendable resources is reported as a current fund liability in the governmental activities fund and the balance of the liability is reported as non-current liability in the governmental activities fund. For the year ended December 31, 2014, the District did not have a current liability for compensated absences. The amounts included in the long-term liabilities consists of the following:

	<u>2014</u>
Total Compensated Absences	<u>\$405,484</u>

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2014

NOTE 8: PENSION

A. Custodial Credit Risk

Fire District No. 3 of the Township of Jackson contributes to a cost-sharing multiple-employer defined benefit pension plan, Public Employees' Retirement System (P.E.R.S.) and the Police and Fireman's Retirement System (P.F.R.S.), administered by the State of New Jersey, Division of Pensions and Benefits. It provides retirement, disability, medical and death benefits to plan members and beneficiaries.

The Public Employees' Retirement System (P.E.R.S.) was established in January 1955 under the provisions of *N.J.S.A.43:15A*, and the Public Fireman's Retirement System (P.F.R.S.) was established as of July 1, 1944 under the provisions of *N.J.S.A.43:16A*. Both plans were set up to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plans. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

The State of New Jersey P.F.R.S. program as established as of July 1, 1944. The program was established under the provisions of *N.J.S.A.43:16A*, which assigns authority to establish and amend, benefit provisions to the plans' board of trustees. P.F.R.S. issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625, or calling (609) 984-1684.

B. Vesting and Benefit Provisions

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

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

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2014

NOTE 8: PENSION (continued)

C. Significant Legislation

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

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

Effective June 28, 2011, Chapter 78, P.L. 2011 reformed various pension and health benefits provisions. Employees hired after June 28, 2011 and enrolled in PERS will be enrolled in a new tier, Tier 5. Full retirement for Tier 5 PERS members will be age 65 and 30 years of service. Tier 3 was added to PERS for enrollees after June 28, 2011. Tier 3 retirees will have a maximum retirement benefit of 65% of final compensation after 30 years of service.

All cost of living adjustments are frozen until the pension fund reaches a "target funded ratio". Chapter 78 also requires all covered employees to contribute a prescribed percentage towards their health costs.

D. Contribution Requirements

The contribution policy is set by *N.J.S.A.43:15A*, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and *N.J.S.A.18:66*, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provide for employee contributions of 6.5%, effective October 1, 2011, of employees' annual compensation as defined. The rate will increase over the next seven years to 7.5%. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits and post-retirement medical premiums.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2014

NOTE 8: PENSION (continued)

D. Contribution Requirements (continued)

Plan members are required to contribute 10%, effective October 1, 2011, of their annual covered salary for P.F.R.S. and Fire District No. 3 of the Township of Jackson is required to contribute at an actuarially determined rate. The contribution requirements of plan members and are established and may be amended by the plan's board of trustees. The District contributed to P.F.R.S. for the year ended December 31, 2014.

The Fire District's contributions to the various plans, equal to the required contributions, were as follows:

Public Employees Retirement System

<u>Year</u>	<u>Total Liability</u>	<u>Paid by Fire District</u>
2014	\$ 9,557	\$ 9,557
2013	7,636	7,636
2012	9,034	9,034

Police and Firemen's Retirement System

<u>Year</u>	<u>Total Liability</u>	<u>Paid by Fire District</u>
2014	\$ 195,444	\$ 195,444
2013	208,097	208,097
2012	205,210	205,210

NOTE 9: LENGTH OF SERVICE AWARDS PROGRAM

The District has a contractual agreement with volunteer firefighters to reward them based on length of continued service. This is not a pension plan as described under the Employee Retirement Security Act, and therefore is not guaranteed to the volunteers until they reach the age 65.

The contribution for the year ended December 31, 2013 and paid in the fiscal year ended December 31, 2014 is \$38,500

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2014

NOTE 10: INTERFUND RECEIVABLE/PAYABLE

As of December 31, 2014, the following inter-fund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 75,143	\$ 107,766
Capital Projects Fund	107,766	-
Debt Service Fund	<u>-</u>	<u>75,143</u>
Total	<u>\$ 182,909</u>	<u>\$ 182,909</u>

The purpose of interfunds is for short-term borrowings.

Interfund receivables are recorded as other receivables. Interfund payables are recorded as other payables.

NOTE 11: FUNDING

The activities of the fire district are primarily funded by the striking of the fire tax on the property owners of the fire district, as provided for by the state statute. For the year ended December 31, 2014, the fire tax rate on the Fire District No. 3 was approximately \$.103 per \$100 of assessed valuation.

The tax revenue is supplemented by income earned on surplus funds invested in a money market fund and investments during the year. The District also participates in the Supplemental Fire Services Program and received a basic entitlement grant of approximately \$3,257. As a condition of this grant, the Board must match the grant by 10%.

NOTE 12: FUND BALANCE

General Fund – Of the \$970,338 General Fund fund balance at December 31, 2014, \$265,000 is assigned for subsequent years expenditures, \$7,037 is committed for other purposes and \$698,301 is unassigned.

Capital Projects Fund – Of the \$107,766 Capital Projects Fund fund balance at December 31, 2014, \$107,766 is restricted for Capital.

Debt Service Fund – Of the (\$75,143) Debt Service Fund fund balance at December 31, 2014, (\$75,143) is restricted for debt service.

NOTE 13: PRIOR PERIOD ADJUSTMENT

In 2014, it was determined that the District's budgetary records as of December 31, 2013 were not recorded in accordance with *N.J.A.C. 5:31-7-1*.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2014

NOTE 13: PRIOR PERIOD ADJUSTMENT (continued)

The general fund had recorded prepaid expenses and therefore overstated the assets by \$39,277. Also, the general fund had recorded compensated absences in the amount of \$363,300 and reserves in the amount of \$149,859, overstating liabilities by \$513,159. The District corrected this with an adjustment to the prior year's general fund fund balance in the amount of \$473,882.

The capital projects fund had recorded a deferred charge and therefore overstated the assets by \$814,600. Also, the capital projects fund had recorded future reserves in the amount of \$171,540, bonds payable in the amount of \$700,000 and a bond anticipation note in the amount of \$114,600, overstating liabilities by \$986,140. The District corrected this with an adjustment to the prior year's capital projects fund balance in the amount of \$171,540.

The fiduciary fund had understated assets of the Length of Service Award Program. This resulted in an adjustment to net assets of \$135,299.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Budgetary Comparison Schedule
For the year ended December 31, 2014

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 1,000	\$ 1,000	\$ 679	\$ (321)
Other revenue	39,015	39,015	59,262	20,247
Total miscellaneous revenues	<u>40,015</u>	<u>40,015</u>	<u>59,941</u>	<u>19,926</u>
Operating grant revenues:				
Supplemental fire service act	3,257	3,257	3,257	-
Other grant revenue	-	-	20,130	20,130
Total operating grant revenues	<u>3,257</u>	<u>3,257</u>	<u>23,387</u>	<u>20,130</u>
Uniform fire safety act revenues:				
Annual registration fees	75,000	75,000	74,676	(324)
Penalties and fines	3,000	3,000	2,078	(922)
Other revenue	52,538	52,538	57,893	5,355
Total uniform fire safety act revenues	<u>130,538</u>	<u>130,538</u>	<u>134,647</u>	<u>4,109</u>
Total revenues	<u>173,810</u>	<u>173,810</u>	<u>217,975</u>	<u>44,165</u>
Amount raised by taxation to support district budget	<u>2,524,098</u>	<u>2,524,098</u>	<u>2,524,098</u>	<u>-</u>
Total anticipated revenues	<u>2,697,908</u>	<u>2,697,908</u>	<u>2,742,073</u>	<u>44,165</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	64,000	21,800	21,000	800
Fringe benefits	31,953	34,253	33,384	869
Other expenditures:				
Professional fees	189,500	93,220	72,508	20,712
Elections	1,500	2,650	2,629	21
Office supplies and postage	12,250	14,250	14,100	150
Membership dues, subscriptions, licenses	4,500	7,300	6,334	966
Insurance	55,000	49,800	43,634	6,166
Operation	3,250	3,250	3,116	134
Total administration	<u>361,953</u>	<u>226,523</u>	<u>196,705</u>	<u>29,818</u>
Cost of operations and maintenance:				
Salaries and wages	1,083,345	1,155,575	1,128,967	26,608
Fringe benefits	647,264	664,014	663,479	535
Other expenditures:				
Conventions	5,000	12,200	12,176	24
Fire equipment	22,200	19,600	19,392	208
Fuel	25,000	28,600	28,585	15

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Budgetary Comparison Schedule
For the year ended December 31, 2014

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Gear	46,000	55,050	54,951	99
Hydrant Rentals	83,860	63,360	63,315	45
Maintenance and repairs	124,700	179,500	179,473	27
Supplies	3,500	5,400	5,049	351
Training and education	58,000	44,400	44,291	109
Utilities	37,000	63,850	63,432	418
Volunteer fire company	118,855	117,055	117,000	55
Contingent expenses	25,000	25,000	23,949	1,051
Other non-bondable assets	39,800	18,850	9,068	9,782
Total cost of operations and maintenance	<u>2,319,524</u>	<u>2,452,454</u>	<u>2,413,127</u>	<u>39,327</u>
Operating appropriations offset with revenues:				
Salaries and wages	107,888	107,888	105,339	2,549
Other expenditures:				
Fire prevention bureau	22,651	25,151	16,203	8,948
Basic entitlement grant	3,257	3,257	1,680	1,577
Total operating appropriations offset with revenues	<u>133,796</u>	<u>136,296</u>	<u>123,222</u>	<u>13,074</u>
Length of service award program	40,000	40,000	38,500	1,500
Capital appropriations	<u>-</u>	<u>-</u>	<u>177,839</u>	<u>(177,839)</u>
Debt service for capital appropriations:				
General obligation bonds	70,000	70,000	70,000	-
Bond anticipation notes	38,200	38,200	114,600	(76,400)
Interest on general obligation bonds	20,615	20,615	20,886	(271)
Interest on bond antcipaion notes	3,820	3,820	2,292	1,528
Total debt service for capital appropriations	<u>132,635</u>	<u>132,635</u>	<u>207,778</u>	<u>(75,143)</u>
Total operating appropriations	<u>2,987,908</u>	<u>2,987,908</u>	<u>3,157,171</u>	<u>(169,263)</u>
Excess (efficiency) of revenues over (under) expenditures	<u>(290,000)</u>	<u>(290,000)</u>	<u>(415,098)</u>	<u>(125,098)</u>
Fund balance, January 1	772,637	772,637	772,637	-
Prior period adjustment	<u>645,422</u>	<u>645,422</u>	<u>645,422</u>	<u>-</u>
Fund balance, January 1 (restated)	<u>1,418,059</u>	<u>1,418,059</u>	<u>1,418,059</u>	<u>-</u>
Fund balance, December 31	<u>\$ 1,128,059</u>	<u>\$ 1,128,059</u>	<u>\$ 1,002,961</u>	<u>\$ (125,098)</u>

EXHIBIT I-1

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF JACKSON
Long-Term Debt
Schedule of Serial Bonds Payable
For the year ended December 31, 2014

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance January 1, 2014</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance December 31, 2014</u>
			<u>Date</u>	<u>Amount</u>					
General Obligation Bonds, 2013	7/15/13	\$ 700,000	7/1/15	\$ 70,000	3.10%	\$ 700,000	\$ -	\$ 70,000	\$ 630,000
			7/1/16	70,000	3.10%				
			7/1/17	70,000	3.10%				
			7/1/18	70,000	3.10%				
			7/1/19	70,000	3.10%				
			7/1/20	70,000	3.10%				
			7/1/21	70,000	3.10%				
			7/1/22	70,000	3.10%				
			7/1/23	70,000	3.10%				
						\$ 700,000	\$ -	\$ 70,000	\$ 630,000



Board of Fire Commissioners
Fire District No. 3 of the Township of Jackson
Jackson, New Jersey 08527

We have audited the basic financial statements of the Fire District No. 3 of the Township of Jackson, County of Ocean, State of New Jersey for the year ended December 31, 2014. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS

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

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$36,000, except by contract or agreement.

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

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

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

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$5,400 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

Budget

An examination of the District approved budget was conducted to ensure line items were not overspent.

Comment 2014-001:

The debt service fund was overspent by \$75,143. This was due to the District paying the bond anticipation note in full during the year ended December 31, 2014. The District had budgeted \$58,815 for principal and interest for the note and paid \$135,486.

Recommendation:

The District should raise the deficit of the debt service fund in the 2016 budget.

Management's Response:

The District will raise the deficit of the debt service fund in the 2016 budget.

Examination of Bills

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

Follow-Up of Prior Years' Findings

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

Acknowledgment

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

During our review, we did not note any problems or weaknesses significant enough that would affect our ability to express an opinion on the financial statements taken as a whole.

Should you have any questions, please contact us.

HOLMAN FRENIA ALLISON, P.C.

Certified Public Accountants

August 19, 2015
Toms River, New Jersey