

OCEAN COUNTY, NEW JERSEY

Financial Statements

December 31, 2011 and 2010

With Independent Auditors' Report

Jackson Township Fire District No. 3
Ocean County, New Jersey
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December 31, 2011 and 2010

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JACKSON BOARD OF FIRE COMMISSIONERS
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Jackson Township Fire District No. 3's financial performance provides an overview of the District's financial activities for the year ended December 31, 2011.

USING THIS ANNUAL REPORT

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

Reporting on the District as a Whole

The Statement of Net Assets and the Statement of Activities

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

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

In the Statement of Net Assets and the Statement of Activities, we divide the District into two kinds of activities;

- General Fund activities – Most of the District's basic services are reported here. Property Tax Levies finance most of these activities.
- Capital Fund activities – The District's equipment acquisitions are financed by prior levies and approved by the taxpayers. The District's acquisitions are reported here.

Reporting on the District's Most Significant Funds

Fund Financial Statements

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

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

The District as a Board

Reporting on the District's Fiduciary Responsibilities

The District is a board of commissioners for the safety and protection of the residents within its boundaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

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

	2011 GAAP Basis		Total	Increase (Decrease) over 2010	Percentage Increase (Decrease)
	General Fund Activities	Capital Fund Activities			
Assets					
Current and other assets	\$ 1,362,436	\$ 178,641	\$ 1,541,077	\$ 218,724	16.54%
Capital assets	-	1,762,667	1,762,667	(66,914)	-3.66%
Total assets	<u>\$ 1,362,436</u>	<u>\$ 1,941,308</u>	<u>\$ 3,303,744</u>	<u>\$ 151,810</u>	4.82%
Total liabilities	\$ 891,543	\$ 7,101	\$ 898,644	\$ 227,120	33.82%
Net assets					
Invested in capital assets, net of accumulated depreciation			1,762,667	(66,914)	(3.66%)
Restricted for capital acquisitions			184,481	(88,528)	(32.43%)
Unrestricted			457,952	80,132	21.21%
			<u>\$ 2,405,100</u>	<u>\$ (75,310)</u>	(3.04%)

The District's decrease in net assets signifies weakened financial condition compared to the previous year. Overall, the District remains in strong financial condition.

Governmental Activities

The General Fund is mainly to provide fire protection to its residents, educate the public as to fire prevention and precaution, and to train qualified personnel. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose. Capital Fund Activities are mainly to provide for the acquisition of major fire equipment for fire extinguishment.

THE DISTRICT'S FUNDS

The following schedule presents a summary of general, capital fund revenues and expenditures for the fiscal year ended December 31, 2011 and the amount and percentage of increases and decreases in relation to the prior year.

	2011 GAAP Basis	Percentage of Total Revenues	Increase (Decrease) over 2010	Percentage Increase (Decrease)
Revenues				
District taxes	\$ 2,265,625	88.45%	\$ 59,987	2.72%
Supplemental fire services grant	3,256	0.13%	-	0.00%
Other grant income	150,000	5.86%	-	0.00%
Annual registration fees	86,635	3.38%	55,741	180.43%
Penalties and fines	2,177	0.08%	1,640	305.40%
Interest income	4,761	0.19%	(4,512)	(48.66%)
Other revenues	49,146	1.91%	30,184	159.18%
	<u>\$ 2,561,600</u>	<u>100.00%</u>	<u>\$ 143,040</u>	<u>5.91%</u>

District taxes experienced a moderate increase this year, as expected. Other revenues increased as well primarily due to the District cancelling stale, unpaid vouchers from previous years. Additionally, annual registration fees increased significantly as a result of more activity through the Bureau of Fire Prevention.

	2011 GAAP Basis	Percentage of Total Expenditures	Increase (Decrease) over 2010	Percentage Increase (Decrease)
Expenditures				
Administration:				
Salaries and wages	\$ 90,440	3.51%	\$ (6,770)	(6.96%)
Fringe benefits	40,188	1.56%	4,485	12.56%
Election	1,629	0.06%	229	16.36%
Insurance	51,503	2.00%	(3,376)	(6.15%)
Membership dues and subscriptions	4,383	0.17%	(1,083)	(19.81%)
Office supplies and postage	21,274	0.83%	12,211	134.73%
Professional fees	38,398	1.49%	(20,502)	(34.81%)
Operations	4,019	0.16%	(974)	(19.51%)
Operations and maintenance:				
Salaries and wages	1,141,635	44.28%	(25,825)	(2.21%)
Fringe benefits	614,836	23.85%	86,868	16.45%
Maintenance and repairs	71,514	2.77%	(20,598)	(22.36%)
Supplies	2,365	0.09%	1,266	115.20%
Training and education	20,478	0.79%	(5,277)	(20.49%)
Uniforms	27,377	1.06%	(81,512)	(74.86%)
Utilities	37,415	1.45%	4,827	14.81%
Hydrant rentals	82,601	3.20%	422	0.51%
Fuel truck	24,006	0.93%	(127)	(0.53%)
Fire fighting equipment	7,172	0.28%	6,976	3559.18%
Conventions	1,966	0.08%	72	3.80%

	2011 GAAP Basis	Percentage of Total Expenditures	Increase (Decrease) over 2010	Percentage Increase (Decrease)
Expenditures				
Operations and maintenance (continued):				
Maintenance and repairs - buildings	16,277	0.63%	5,061	45.12%
Basic entitlement grant	3,149	0.12%	2,099	199.90%
Fire suppression	112,000	4.34%	-	0.00%
Non-bondable assets	23,300	0.90%	(146,629)	(86.29%)
Other expenses	1,892	0.07%	(6,216)	(76.67%)
Interest on bond anticipation notes	-	0.00%	(3,906)	(100.00%)
Bad debts	-	0.00%	(538)	(100.00%)
Depreciation expense	138,407	5.38%	(28,245)	(16.95%)
	<u>\$ 2,578,224</u>	<u>100.00%</u>	<u>\$ (227,062)</u>	<u>(8.09%)</u>

Fringe benefits increased due to the rising cost of health and retirement benefits. Maintenance and repairs, uniforms and non-bondable assets decreased as the District upgraded or replaced aging equipment in the prior year and such upgrades were not necessary in the current year. The remaining expenditures are either contractual in nature or discretionary; they can vary from year to year depending on the circumstances.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board revised the General Fund budget one time. This budget amendment was a transfer within appropriations as a precaution to avoid over expending particular line items.

The budget anticipated a moderate increase in the district tax base. The district tax base increased, resulting in an increase in the tax rate which produced a revenue increase of approximately \$60,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

For the year ended December 31, 2011, capital assets changed as follows:

	2010 GAAP Basis	Transfers/ Additions	Transfers/ Disposals	2011 GAAP Basis	Percentage Increase (Decrease)
Capital assets					
Land	\$ 129,300	\$ -	\$ -	\$ 129,300	0.00%
Buildings & improvements	1,481,922	71,493	-	1,553,415	4.82%
Equipment	406,908	-	-	406,908	0.00%
Trucks and vehicles	2,823,254	-	-	2,823,254	0.00%
Non-depreciable assets	9,909	-	-	9,909	0.00%
	<u>4,851,293</u>	<u>71,493</u>	<u>-</u>	<u>4,922,786</u>	<u>1.47%</u>
Accumulated depreciation	<u>3,021,712</u>	<u>138,407</u>	<u>-</u>	<u>3,160,119</u>	<u>4.58%</u>
Capital assets, net	<u>\$ 1,829,581</u>	<u>\$ (66,914)</u>	<u>\$ -</u>	<u>\$ 1,762,667</u>	<u>(3.66%)</u>

The District replaced the roof on their building and upgraded the electrical and heating systems in the current year. The District did not dispose of any equipment in the current year.

Debt

At year end, the District had a bond anticipation note outstanding of \$191,000 versus no debt outstanding at the end of the previous year – an increase of \$191,000 as shown below.

**Outstanding Debt at Year End
Government Activities**

	<u>12/31/11</u>	<u>12/31/10</u>
Bond Anticipation Note	\$ <u>191,000</u>	\$ <u>-</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Next year's general fund budget was determined based on a slight increase in the district tax rate. Some of the significant capital asset items approved in this year's budget will be deferred to subsequent years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our District's citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Clerk's office at 200 Kierych Memorial Drive, Jackson, New Jersey, 08527.



Cliff Jordan, President
Board of Fire Commissioners



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Independent Auditors' Report

Board of Fire Commissioners
Jackson Township Fire District No. 3
Ocean County, New Jersey

We have audited the accompanying financial statements of the Jackson Township Fire District No. 3, as of and for the years ended December 31, 2011 and 2010. These general purpose financial statements are the responsibility of the Fire District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Jackson Township Fire District No. 3, Ocean County, New Jersey as of December 31, 2011 and 2010, and the results of its changes in fund balances for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 20, 2012 on our consideration of the Jackson Township Fire District No. 3, Ocean County, New Jersey internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.



The accounting principles generally accepted in the United States of America required that the Management's Discussion and Analysis on page A1 through A5 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 Standard 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.

The Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual, and Schedule of Improvement Authorizations - Capital Fund included in the contents of this report are presented for purposes of additional analysis and are not required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 and 2010 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual, and Schedule of Improvement Authorizations - Capital Fund are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

The Statistical Information and Roster of Officials, which are the responsibility of management, are presented for the purpose of additional analysis and are not a required a part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink that reads "Ronald C. Petrics".

Ronald C. Petrics
Registered Municipal Accountant (#474)

September 20, 2012



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**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
Jackson Township Fire District No. 3
Ocean County, New Jersey

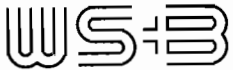
We have audited the financial statements of Jackson Township Fire District No. 3 Ocean County, New Jersey as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated September 20, 2012. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in compliance with the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Jackson Township Fire District No. 3 is responsible for establishing and maintaining effective internal control. In planning and performing our audits, we considered Jackson Township Fire District No. 3's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jackson Township Fire District No. 3's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Jackson Township Fire District No. 3's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a significant deficiency, or combination of significant deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We consider the deficiencies described in the accompanying schedule of findings and recommendations as items 2011-1, 2011-2 and 2011-3 to be significant deficiencies in internal control over financial reporting.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jackson Township Fire District No. 3, Ocean County, New Jersey financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Commissioners and the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in cursive script that reads 'Ronald C. Petrics'.

Ronald C. Petrics
Registered Municipal Accountant (#474)

September 20, 2012

Jackson Township Fire District No. 3
Ocean County, New Jersey
Statement of Net Assets and Governmental Funds Balance Sheet
December 31, 2011

	General Fund	Capital Fund	Total	Adjustments (Note 2)	Statement of Net Assets
Assets					
Cash and investments	\$ 1,296,933	\$ 178,641	\$ 1,475,574	\$ -	\$ 1,475,574
Accounts receivable	74,431	-	74,431	-	74,431
Prepaid expenses	45,472	-	45,472	-	45,472
Interfund receivable	-	21,232	21,232	(21,232)	-
Capital assets, net	-	-	-	1,762,667	1,762,667
Deferred charges to future taxation	-	191,000	191,000	(191,000)	-
Total assets	<u>\$ 1,416,836</u>	<u>\$ 390,873</u>	<u>\$ 1,807,709</u>	<u>\$ 1,550,435</u>	<u>\$ 3,358,144</u>
Liabilities					
Current liabilities:					
Accounts payable	\$ 115,133	\$ 7,101	\$ 122,234	\$ -	\$ 122,234
Accrued expenses	105,556	-	105,556	-	105,556
Accrued benefit reserve	392,430	-	392,430	-	392,430
Interfund payable	21,232	-	21,232	(21,232)	-
Various reserves	83,138	-	83,138	-	83,138
Bond anticipation notes - current	-	38,200	38,200	-	38,200
Total current liabilities	<u>717,489</u>	<u>45,301</u>	<u>762,790</u>	<u>(21,232)</u>	<u>741,558</u>
Other liabilities:					
Bond anticipation notes - long term	-	152,800	152,800	-	152,800
Improvement authorizations	-	189,379	189,379	(189,379)	-
Total other liabilities	<u>-</u>	<u>342,179</u>	<u>342,179</u>	<u>(189,379)</u>	<u>152,800</u>
Total liabilities	<u>717,489</u>	<u>387,480</u>	<u>1,104,969</u>	<u>(210,611)</u>	<u>894,358</u>
Fund balances and net assets					
Fund balances:					
Reserved:					
Appropriation reserves	158,894	-	158,894	(158,894)	-
Unreserved					
Designated for subsequent years' expenditures	68,213	-	68,213	(68,213)	-
Undesignated	472,240	3,393	475,633	(475,633)	-
Total fund balance	<u>699,347</u>	<u>3,393</u>	<u>702,740</u>	<u>(702,740)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,416,836</u>	<u>\$ 390,873</u>	<u>\$ 1,807,709</u>		
Net assets					
Invested in capital assets, net of accumulated depreciation				1,762,667	1,762,667
Restricted for capital acquisitions				189,379	189,379
Unrestricted				511,740	511,740
Total net assets				<u>\$ 2,463,786</u>	<u>\$ 2,463,786</u>

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

Jackson Township Fire District No. 3
Ocean County, New Jersey
Statement of Net Assets and Governmental Funds Balance Sheet
December 31, 2010

	General Fund	Capital Fund	Total	Adjustments (Note 2)	Statement of Net Assets
Assets					
Cash and investments	\$ 1,031,636	\$ 176,902	\$ 1,208,538	\$ -	\$ 1,208,538
Accounts receivable	66,781	-	66,781	-	66,781
Prepaid expenses	47,034	-	47,034	-	47,034
Interfund receivable	134,733	-	134,733	(134,733)	-
Capital assets, net	-	-	-	1,829,581	1,829,581
Deferred charges to future taxation	-	182,892	182,892	(182,892)	-
Total assets	\$ 1,280,184	\$ 359,794	\$ 1,639,978	\$ 1,511,956	\$ 3,151,934
Liabilities					
Current liabilities:					
Accounts payable	\$ 195,986	\$ 398	\$ 196,384	\$ -	\$ 196,384
Accrued expenses	64,472	-	64,472	-	64,472
Accrued benefit reserve	316,930	-	316,930	-	316,930
Interfund payable	-	134,733	134,733	(134,733)	-
Various reserves	93,738	-	93,738	-	93,738
Improvement authorizations	-	273,009	273,009	(273,009)	-
Total current liabilities	671,126	408,140	1,079,266	(407,742)	671,524
Fund balances and net assets					
Fund balances					
Reserved:					
Appropriation reserves	22,959	-	22,959	(22,959)	-
Unreserved:					
Designated for subsequent years' expenditures	138,816	-	138,816	(138,816)	-
Undesignated	447,283	(48,346)	398,937	(398,937)	-
Total fund balances	609,058	(48,346)	560,712	(560,712)	-
Total liabilities and fund balances	\$ 1,280,184	\$ 359,794	\$ 1,639,978		
Net assets					
Invested in capital assets, net of accumulated depreciation				1,829,581	1,829,581
Restricted for capital acquisitions				273,009	273,009
Unrestricted				377,820	377,820
Total net assets				\$ 2,480,410	\$ 2,480,410

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

Jackson Township Fire District No. 3
Ocean County, New Jersey
Statement of Activities and Governmental Fund Revenues, Expenditures and
Changes In Fund Balances
Year Ended December 31, 2011

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures:					
Operating appropriations	\$ 2,419,572	\$ -	\$ 2,419,572	\$ 158,652	\$ 2,578,224
Capital appropriations	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>
Total expenditures	2,469,572	-	2,469,572	108,652	2,578,224
Revenues and other financing sources:					
General revenues:					
District taxes	2,265,625	-	2,265,625	-	2,265,625
Supplemental fire services grant	3,256	-	3,256	-	3,256
Other grant income	150,000	-	150,000	-	150,000
Annual registration fees	86,635	-	86,635	-	86,635
Penalties and fines	2,177	-	2,177	-	2,177
Interest income	3,022	1,739	4,761	-	4,761
Other revenues	<u>19,085</u>	<u>-</u>	<u>19,085</u>	<u>-</u>	<u>19,085</u>
Total general revenues	2,559,861	1,739	2,561,600	-	2,561,600
Transfers:					
Reserve for future capital outlays	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>
Total general revenues and transfers	<u>2,559,861</u>	<u>51,739</u>	<u>2,611,600</u>	<u>(50,000)</u>	<u>2,561,600</u>
Excess of revenues and transfers over expenditures	90,289	51,739	142,028	(142,028)	-
Change in net assets	-	-	-	(16,624)	(16,624)
Fund balances/ net assets					
Beginning of the year	<u>609,058</u>	<u>(48,346)</u>	<u>560,712</u>	<u>1,919,698</u>	<u>2,480,410</u>
End of year	<u>\$ 699,347</u>	<u>\$ 3,393</u>	<u>\$ 702,740</u>	<u>\$ 1,761,046</u>	<u>\$ 2,463,786</u>

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

Jackson Township Fire District No. 3
Ocean County, New Jersey
Statement of Activities and Governmental Fund Revenues, Expenditures and
Changes In Fund Balances
Year Ended December 31, 2010

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures:					
Operating appropriations	\$ 2,533,705	\$ -	\$ 2,533,705	\$ 271,581	\$ 2,805,286
Capital appropriations	<u>71,000</u>	<u>-</u>	<u>71,000</u>	<u>(71,000)</u>	<u>-</u>
Total expenditures	2,604,705	-	2,604,705	200,581	2,805,286
Revenues and other financing sources:					
General revenues:					
District taxes	2,205,638	-	2,205,638	-	2,205,638
Supplemental fire services grant	3,256	-	3,256	-	3,256
Other grant income	150,000	-	150,000	-	150,000
Annual registration fees	30,894	-	30,894	-	30,894
Penalties and fines	537	-	537	-	537
Interest income	6,878	2,395	9,273	-	9,273
Other revenues	<u>18,962</u>	<u>-</u>	<u>18,962</u>	<u>-</u>	<u>18,962</u>
Total general revenues	2,416,165	2,395	2,418,560	-	2,418,560
Transfers:					
Capital fund balance utilized	-	-	-	-	-
Reserve for future capital outlays	<u>-</u>	<u>15,000</u>	<u>15,000</u>	<u>(15,000)</u>	<u>-</u>
Total Transfers	<u>-</u>	<u>15,000</u>	<u>15,000</u>	<u>(15,000)</u>	<u>-</u>
Total general revenues and transfers	<u>2,416,165</u>	<u>17,395</u>	<u>2,433,560</u>	<u>(15,000)</u>	<u>2,418,560</u>
Excess (deficiency) of revenues and transfers over expenditures	(188,540)	17,395	(171,145)	171,145	-
Change in net assets	-	-	-	(386,726)	(386,726)
Fund balances/ net assets:					
Beginning of the year	<u>797,598</u>	<u>(65,741)</u>	<u>731,857</u>	<u>2,135,279</u>	<u>2,867,136</u>
End of year	<u>\$ 609,058</u>	<u>\$ (48,346)</u>	<u>\$ 560,712</u>	<u>\$ 1,919,698</u>	<u>\$ 2,480,410</u>

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

Jackson Township Fire District No. 3
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2011 and 2010

1. Summary of Significant Accounting Policies

The accounting policies of the Jackson Township Fire District No. 3 (District) conform to the accounting principles applicable to special districts which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. For the years ended December 31, 2011 and 2010, the financial statements of the Jackson Township Fire District No. 3 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

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

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

B. Basis of Presentation

Combined Fund and Government-wide Financial Statements

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

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

Governmental Fund Types

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

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

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

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

Jackson Township Fire District No. 3
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2011 and 2010

1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

Fund Basis of Accounting

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

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

Government-wide Basis of Accounting

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

D. Budgets/Budgetary Control

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

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

E. Encumbrances

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Specific encumbrances in governmental funds are reported as liabilities at year end as they do not constitute expenditures or rather commitments related to unperformed contracts for goods and services.

The encumbered appropriation authority carries over into the following year. The balance of the unencumbered appropriations is recorded as a reserve to fund balance for unrecorded expenditures and commitments that pertain to the prior year. At the end of the following year, an entry will be made to fund balance for the unexpended appropriations of the prior year.

F. Fixed Assets

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

In the government-wide basis of accounting, fixed assets are accounted for as capital assets. The District generally capitalizes assets with a cost of \$5,000 or more as outlays occur. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable.

Jackson Township Fire District No. 3
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2011 and 2010

1. Summary of Significant Accounting Policies (Continued)

F. Fixed Assets (Continued)

Depreciation of all fixed assets is recorded as an operating expense in the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances with accumulated depreciation reflected in the Statement of Net Assets and Governmental Funds Balance Sheet.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation, generally 5 years for general purpose vehicles, 10 years for equipment, 20 years for fire trucks and 40 years for leasehold improvements.

G. Interfund Transactions and Balances

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

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

H. Fund Equity

Fund Basis

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

Government-wide Basis

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

- a. Invested in capital assets, net – Consists of capital assets, net of accumulated depreciation and related debt.
- b. Restricted for capital acquisitions – Current balance consists of net assets restricted to the acquisition of fire apparatus, equipment and building renovations.
- c. Unrestricted net assets – All net assets that do not meet the definition of "restricted" or "invested in capital assets, net".

I. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund. For long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

2. Adjustment to Arrive at Net Assets

A. Capital Assets and Net Assets Invested in Capital Assets

For the years ended December 31, 2011 and 2010 capital assets, net in the amount of \$1,762,667 and \$1,829,581, respectively and net assets invested in capital assets, net in the amount of \$1,762,667 and \$1,829,581, respectively have been included in the government-wide presentation.

B. Interfund Receivables and Payables

For the years ended December 31, 2011 and 2010 interfund receivables and payables in the amount of \$21,232 and \$134,733, respectively have been eliminated in arriving at the government-wide presentation.

C. Deferred Charges to Future Taxation

For the years ended December 31, 2011 and 2010 the amount to be provided for future budget in the amount of \$191,000 and \$182,892, respectively have been eliminated in arriving at the government-wide presentation.

Jackson Township Fire District No. 3
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2011 and 2010

2. Adjustment to Arrive at Net Assets (Continued)

D. Improvement Authorizations

Improvement authorizations, which are liabilities that represent the District's earmarking of fund balance for a specified future project, do not represent liabilities as defined by U.S. generally accepted accounting principles. Therefore, for the years ended December 31, 2011 and 2010 improvement authorizations in the amount of \$189,379 and \$273,009, respectively have been eliminated in arriving at the government-wide presentation.

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

For the years ended December 31, 2011 and 2010 fund balances in the amount of \$702,740 and \$560,712, respectively have been eliminated. Unrestricted net assets in the amount of \$511,740 and \$377,820, respectively and net assets restricted for capital acquisition in the amount of \$189,379 and \$273,009, respectively, have been included in the government-wide presentation.

3. Adjustments to Arrive at the Change in Net Assets

A. Operating Appropriations

For the year ended December 31, 2011, depreciation expense in the amount of \$138,407 has been included in the government-wide presentation. Maintenance and repairs, maintenance and repairs - building and non-bondable assets in the amount of \$2,179, \$1,919 and \$16,147, respectively, have been included in the government-wide presentation to account for \$20,245 of expenditures charged to improvement authorizations, which are reserved for in previous periods under the fund basis of accounting and charged to previous year's budgets. The net effect on operating appropriations is an increase of \$158,652.

For the year ended December 31, 2010, depreciation expense in the amount of \$166,652 has been included in the government-wide presentation. To account for the principal payments on serial bonds expensed under the fund basis of accounting, principal payments on serial bonds expense has been decreased by \$73,000. Non-bondable assets and uniforms in the amounts of \$103,387 and \$94,382, respectively, have been included in the government-wide presentation to account for \$182,892 of deferred charges, which are deferred to future periods under the fund basis of accounting, and \$14,877 of expenditures charged to improvement authorizations, which are reserved for in previous periods under the fund basis of accounting. Additionally, \$19,840 of firefighting equipment has been excluded in the government-wide presentation to account for fixed assets that were recorded as expenses under the fund basis of accounting. The net effect on operating appropriations is an increase of \$271,581.

B. Capital Appropriations

For the year ended December 31, 2011, capital appropriations and related transfers were reduced by \$50,000 on the government-wide presentation to eliminate the general fund expenditure and capital fund revenue related to the reservation of funds for future capital projects.

For the year ended December 31, 2010, capital appropriations were reduced by \$71,000 on the government-wide presentation to eliminate the expenditure related to the creation of new improvement authorizations.

4. Deposits and Investments

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

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

Jackson Township Fire District No. 3
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2011 and 2010

4. Deposits and Investments (continued)

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

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

The cash on deposit is partially insured by federal deposit insurance in the amount of \$250,000 in each depository. Balances above the federal deposit insurance amount are insured by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., which insures all New Jersey governmental units' deposits in excess of the federal deposit insurance maximums. Cash determined by the Board of Commissioners consists of all bank accounts, whereas certificates of deposit are considered investments.

As of December 31, 2011 and 2010 the District's cash accounts consisted of:

	<u>2011</u>	<u>2010</u>
TD Bank – General	\$ 6,134	\$ 420,177
TD Bank – Payroll	9,114	3,252
TD Bank – Bureau of Fire Safety	17,525	36,327
Fulton Bank - General	76,532	-
Fulton Bank - Payroll	98,376	-
Fulton Bank - Bureau of Fire Safety	28,385	-
Fulton Bank - Money Market	805,299	318,870
Fulton Bank - Card	2,645	-
Sovereign Bank - Card	19	846
State of NJ – Cash Management Fund	59,232	59,179
Shore Community Bank – Money Market	21,307	21,255
Shore Community Bank – Beacon Municipal	209	209
Petty Cash	-	223
Total cash	<u>\$ 1,124,777</u>	<u>\$ 860,338</u>

The carrying amount of the District's cash and cash equivalents at December 31, 2011 was \$1,124,777 and the bank balance was \$1,198,147. Of the balance, \$367,854 was covered by federal depository insurance and \$830,293 was covered by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., for all New Jersey governmental units' deposits in excess of the federal deposit maximums.

The cash deposits held at financial institutions can be categorized according to three levels of risk as described below:

Category 1	Deposits which are covered by FDIC, or collateralized by securities held by the District or its agent, in the District's name	\$ 367,854
Category 2	Deposits which are collateralized with securities held by the pledging financial institution's trust department, or Agent in the District's name	830,293
Category 3	Deposits which are not collateralized or insured.	-

Jackson Township Fire District No. 3
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2011 and 2010

4. Deposits and Investments (Continued)

Investments

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

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

During the year, the District had none of its idle funds invested in repurchase agreements collateralized by eligible securities. As of December 31, 2011 and 2010, no such investments were held by the District.

As of December 31, 2011 the District's investment account consisted of:

Certificates of Deposit include maturities ranging from September, 2012 to November 2012 with interest rates ranging from .45% to .7%.
 These are classified as investments and carried at cost \$ 350,797

As of December 31, 2010 the District's investment account consisted of:

Certificates of Deposit include maturities ranging from May 2011 to June 2011 with interest rates ranging from .45% to 1%.
 These are classified as investments and carried at cost \$ 348,200

The investments held at financial institutions can be categorized according to three levels of risk as described below:

		<u>2011</u>	<u>2010</u>
Category 1	Deposits which are covered by FDIC, or collateralized by securities held by the District or its agent, in the District's name	\$ 350,797	\$ 348,200
Category 2	Deposits which are collateralized with securities held by the pledging financial institution's trust department, or Agent in the District's name	-	-
Category 3	Deposits which are not collateralized or insured	-	-

Recurring Fair Value Measurements

Pursuant to the requirements of fair value measurement financial accounting standards, which are effective for years beginning after November 15, 2007, the District has provided fair value disclosure information for relevant assets and liabilities in these financial statements. The following table summarizes assets which have been accounted for at fair value on a recurring basis as of December 31, 2011 and 2010, along with the basis for the determination of fair value:

Jackson Township Fire District No. 3
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2011 and 2010

4. Deposits and Investments (Continued)

Recurring Fair Value Measurements (Continued)

	Total	Basis for Valuation		
		Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
Certificates of deposit - 2011	\$ 350,797	\$ -	\$ 350,797	\$ -
Certificates of deposit - 2010	\$ 348,200	\$ -	\$ 348,200	\$ -

For applicable assets subject to this pronouncement, the District will value such assets using quoted market prices in active markets for identical assets to the extent possible (Level 1). To the extent that such market prices are not available, the District will next attempt to value such assets and using observable measurement criteria, including quoted market prices of similar assets in active and inactive markets and other corroborated factors (Level 2). In the event that quoted market prices in active markets and other observable measurement criteria are not available, the District will develop measurement criteria based on the best information available (Level 3).

5. Assessment and Collection of Money Authorized By Voters

Upon proper certification pursuant to Section 9 of P.L. 1979 c. 453 (C40[A]:14-79), the assessor of the municipality, in which the fire district is situate, shall assess the amount to be raised by taxation to support the district budget against the taxable property therein, in the same manner as municipal taxes are assessed and the same amount shall be assessed, levied and collected at the same time and in the same manner as other municipal taxes.

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

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

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

6. Funding

The activities of the Jackson Township Fire District No. 3 are primarily funded by the striking of a fire tax on the property owners of the Fire District, as provided for by state statute. For the years ended December 31, 2011 and 2010, the fire tax rate on Fire District No. 3 was \$.090 and \$.087, respectively per \$100 of assessed valuation.

Jackson Township Fire District No. 3
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2011 and 2010

6. Funding (Continued)

The tax revenue is supplemented by income earned on surplus funds invested in certificates of deposit and savings during the year. Additionally, revenues are generated by the fire bureau through participation in the Uniform Fire Safety Act.

The District entered into an inter-local service agreement with Jackson Township Fire District No. 1 in which the District is reimbursed the costs associated with providing firefighting services to certain residents of Jackson Township Fire District No. 1. For the years ended December 31, 2011 and 2010, the District was reimbursed \$150,000, per annum, for related firefighting costs.

The District also participates in the Supplemental Fire Services Program and received a basic entitlement grant of \$3,256 for each of the years ended December 31, 2011 and 2010.

7. LOSAP

The District maintains a LOSAP (Length of Service Awards Program) plan. The plan is considered to be a deferred compensation plan for volunteers and the contribution is not based on compensation. New Jersey statutes set the contribution limits. The contributions for 2011 and 2010 were \$35,000 and \$25,000, respectively.

8. Pension Plan

Plans Description

The Jackson Township Fire District No. 3 contributes to two cost-sharing multiple-employer defined benefit pension plans, the Public Employees' Retirement System and the Police and Firemen's Retirement System, which are administered by the State of New Jersey, Division of Pensions and Benefits. These plans provide retirement, disability, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. Each plan has a Board of Trustees that implements benefit provisions, which are established and amended by the State statute. The Division issues a publicly available financial report that includes financial statements and required supplementary information.

Funding Policy

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System are required to contribute 5.5% of their annual covered salary. In accordance with Chapter 204, P.L. 1989, plan members enrolled in the Police and Firemen's Retirement System are required to contribute 8.5% of their annual covered salary. The District is billed annually for its normal contribution plus any accrued liability. The District's contributions to the various plans, equal to the required contribution for each year, were as follows:

<u>YEAR</u>	<u>PERS</u>	<u>PFRS</u>
2011	\$ 8,702	\$ 163,781
2010	7,105	125,740
2009	6,086	115,889
2008	4,062	54,398
2007	2,214	32,029
2006	84	14,490
2005	1,535	8,900

For the years ended December 31, 2011 and 2010, the Fire District has accrued liability of pension costs for their enrolled employees of \$47,369 and \$-, respectively.

Jackson Township Fire District No. 3
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2011 and 2010

9. Capital Assets

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

	Balance As Of <u>12/31/10</u>	Transfers/ Additions	Transfers/ Disposals	Balance As Of <u>12/31/11</u>
Land	\$ 129,300	\$ -	\$ -	\$ 129,300
Buildings & Improvement	1,481,922	71,493	-	1,553,415
Equipment	406,908	-	-	406,908
Trucks & Vehicles	2,823,254	-	-	2,823,254
Non-Depreciable Assets	<u>9,909</u>	<u>-</u>	<u>-</u>	<u>9,909</u>
	<u>\$ 4,851,293</u>	<u>\$ 71,493</u>	<u>\$ -</u>	<u>\$ 4,922,786</u>
Accumulated Depreciation	<u>\$ 3,021,712</u>	<u>\$ 138,407</u>	<u>\$ -</u>	<u>\$ 3,160,119</u>

Depreciation expense for the years ended December 31, 2011 and 2010 amounted to \$138,407 and \$166,652, respectively.

10. Long Term Debt

Bond Anticipation Note

The District financed the purchase of various equipment with a bond anticipation note. The note was issued April 2011, matures April 2012 and bears an interest rate of 2.25% per annum. The District expects to re-finance the note annually and accounts for the principal expected to be repaid within a year as a current liability and the remaining portion as a long term liability. The total note outstanding as of December 31, 2011 is \$191,000 with current maturities of \$38,200 and long term maturities of \$152,800. No bond anticipation notes were outstanding as of December 31, 2010.

Future debt service requirements for bond anticipation note are expected to be as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 38,200	\$ 4,300	\$ 42,500
2013	\$ 38,200	\$ 3,400	\$ 41,600
2014	\$ 38,200	\$ 2,600	\$ 40,800
2015	\$ 38,200	\$ 1,700	\$ 39,900
2016	\$ 38,200	\$ 900	\$ 39,100

Serial Bonds

The District made the final repayment of the serial bond obligation issued in 2000 during the year ended December 31, 2010. The District has no serial bonds outstanding as of December 31, 2011 or 2010.

Jackson Township Fire District No. 3
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2011 and 2010

11. Risk Management

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

12. Various Reserves

As of December 31, 2011 and 2010 the District's various reserves account consisted of:

	<u>2011</u>	<u>2010</u>
Reserve – alarm system	\$ 1,347	\$ 1,347
Reserve – preliminary costs	36,857	36,857
Reserve – LOSAP	<u>44,934</u>	<u>55,534</u>
Total	<u>\$ 83,138</u>	<u>\$ 93,738</u>

13. Subsequent Events

The District has evaluated subsequent events occurring after December 31, 2011 through the date of September 20, 2012, which is the date the financial statements were available to be issued. Based on this evaluation, the District has determined that the following subsequent events have occurred which require disclosure in the financial statements:

The District executed a bond anticipation note effective April, 2012, with a yield of 1.34% on \$152,800 of principal and a final maturity date of April, 2013. The proceeds are to be used to repay the \$191,000 bond anticipation note that matured April 2012. The net principal repayment was \$38,200.

**Jackson Township Fire District No. 3
Ocean County, New Jersey
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - All Governmental Fund Types
Year Ended December 31, 2011**

	Governmental Fund Type		Total Actual Amounts		Budgeted Amounts		Budgetary Variance
	General Fund	Capital Fund	Budgetary Basis	Adjustments Note B	Original	Final	
Revenues:							
District taxes	\$ 2,265,625	\$ -	\$ 2,265,625	\$ -	\$ 2,265,624	\$ 2,265,624	\$ 1
Supplemental fire services grant	3,256	-	3,256	-	4,226	4,226	(970)
Other grant income	150,000	-	150,000	-	161,000	161,000	(11,000)
Annual registration fees	86,635	-	86,635	-	32,000	32,000	54,635
Penalties and fines	2,177	-	2,177	-	2,800	2,800	(623)
Interest income	3,022	1,739	4,761	-	-	-	4,761
Other revenues	19,085	-	19,085	-	24,000	24,000	(4,915)
Miscellaneous income	30,061	-	30,061	-	-	-	30,061
Fund balance utilized - general undesignated	-	-	-	-	138,816	138,816	(138,816)
Total revenues	2,559,861	1,739	2,561,600	-	2,628,466	2,628,466	(66,866)
Transfers:							
Reserve for future capital outlays	-	50,000	50,000	(50,000)	-	-	50,000
Total general revenues and transfers	2,559,861	51,739	2,611,600	(50,000)	2,628,466	2,628,466	(16,866)
Expenditures:							
Operating appropriations:							
Administration:							
Salaries and wages	90,440	-	90,440	-	115,923	115,923	25,483
Fringe benefits	40,188	-	40,188	-	50,127	50,127	9,939
Election	1,629	-	1,629	-	5,000	5,000	3,371
Insurance	51,503	-	51,503	-	64,000	52,000	497
Membership dues and subscriptions	4,383	-	4,383	-	3,000	3,000	(1,383)
Office supplies and postage	21,274	-	21,274	-	13,000	13,000	(8,274)
Professional fees	38,398	-	38,398	-	77,000	62,000	23,602
Operations	4,019	-	4,019	-	3,250	3,250	(769)
Total administration	251,834	-	251,834	-	331,300	304,300	52,466
Operations and maintenance:							
Salary and wages	1,141,635	-	1,141,635	-	992,385	978,502	(163,133)
Fringe benefits	614,836	-	614,836	-	588,605	624,378	9,542

See Independent Auditors' Report.
The accompanying Notes to Supplementary Information are an integral part of this schedule.

**Jackson Township Fire District No. 3
Ocean County, New Jersey
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - All Governmental Fund Types
Year Ended December 31, 2011**

	Governmental Fund Type		Total Actual Amounts		Budgeted Amounts		Budgetary Variance	
	General Fund	Capital Fund	Budgetary Basis	Adjustments Note B	GAAP Basis	Original		Final
Other expenses:								
Maintenance and repairs	69,335	-	69,335	2,179 (1)	71,514	99,200	103,210	33,875
Supplies	2,365	-	2,365	-	2,365	2,000	2,000	(365)
Training and education	20,478	-	20,478	-	20,478	29,000	30,100	9,622
Uniforms	27,377	-	27,377	-	27,377	26,000	26,000	(1,377)
Utilities	37,415	-	37,415	-	37,415	37,650	37,650	235
Hydrant rentals	82,601	-	82,601	-	82,601	82,600	82,600	(1)
Fuel	24,006	-	24,006	-	24,006	24,000	24,000	(6)
Fire fighting equipment	7,172	-	7,172	-	7,172	22,200	22,200	15,028
Conventions	1,966	-	1,966	-	1,966	3,000	3,000	1,034
Maintenance and repairs - buildings	14,358	-	14,358	1,919 (1)	16,277	14,950	14,950	592
Basic entitlement grant	3,149	-	3,149	-	3,149	4,226	4,226	1,077
Fire suppression	112,000	-	112,000	-	112,000	114,240	114,240	2,240
Non-bondable assets	7,153	-	7,153	16,147 (1)	23,300	31,000	31,000	23,847
Contingent expenses	-	-	-	-	-	5,000	5,000	5,000
Other expenses	1,892	-	1,892	-	1,892	123,360	123,360	121,468
Principal payments on bond anticipation notes	-	-	-	-	-	38,200	38,200	38,200
Interest on bond anticipation notes	-	-	-	-	-	9,550	9,550	9,550
Depreciation expense	-	-	-	-	-	-	-	-
Total other expenses	411,267	-	411,267	138,407 (1)	549,674	666,176	671,286	260,019
Total operations and maintenance	2,167,738	-	2,167,738	158,652	2,326,390	2,247,166	2,274,166	106,428
Total operating appropriations	2,419,572	-	2,419,572	158,652	2,578,224	2,578,466	2,578,466	158,894
Capital appropriations:								
Reserve for future capital outlays	50,000	-	50,000	(50,000)	-	50,000	50,000	-
Total expenditures	2,469,572	-	2,469,572	108,652	2,578,224	2,628,466	2,628,466	158,894
Excess of revenues and transfers over expenditures	90,289	51,739	142,028	(142,028)	-	-	-	\$ 142,028
Change in net assets	-	-	-	(16,624)	(16,624)	-	-	-
Fund balances, beginning of the year	609,058	(48,346)	560,712	1,919,698 (2)	2,480,410	-	-	-
Fund balances, end of the year	\$ 699,347	\$ 3,393	\$ 702,740	\$ 1,761,046	\$ 2,463,786	\$ -	\$ -	\$ -

See Independent Auditors' Report.
The accompanying Notes to Supplementary Information are an integral part of this schedule.

Jackson Township Fire District No. 3
Ocean County, New Jersey
Notes to Supplementary Information
Year Ended December 31, 2011

A. Budgetary Basis Accounting

There are no substantial differences between the District's budgetary basis of accounting and the fund basis of accounting described below.

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

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

B. Budgetary-To-GAAP Reconciliation

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

	<u>Change in Fund Balance</u>
(1) Expenditures for certain non-bondable assets have been charged against the respective improvement authorizations for budgetary purposes. For GAAP purposes, these non-capitalized assets have been charged as expenses as GAAP does not recognize improvement authorizations.	\$ (16,147)
Expenditures for certain maintenance and repairs have been charged against the respective improvement authorizations for budgetary purposes. For GAAP purposes, these non-capitalized assets have been charged as expenses as GAAP does not recognize improvement authorizations.	(4,098)
Depreciation expense is not recorded on the budgetary basis of accounting. For GAAP purposes, capitalized assets are depreciated on a straight-line basis over their respective useful lives.	<u>(138,407)</u>
Net decrease in fund balance – budget to GAAP	(158,652)
(2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the District's budget. (See Note A for a description of the District's budgetary accounting method.) This amount differs from the fund balance reported in the statement of revenues, expenditures and changes in fund balances because of the cumulative effect of transactions such as those described above.	<u>1,919,698</u>
	<u>\$ 1,761,046</u>

Jackson Township Fire District No. 3
Ocean County, New Jersey
Notes to Supplementary Information
Year Ended December 31, 2011

C. BUDGET CANCELLATION

Regulations allow the District to cancel unexpended appropriations before year end by resolution. During the year ended December 31, 2011, the District did not cancel any appropriations resulting in a reservation of fund balance as follows:

Adopted Budget	\$ 2,628,466
Expenditures	<u>2,469,572</u>
Favorable Variance	158,894
Cancelled	<u>-</u>
Fund Balance Reserve	<u>\$ 158,894</u>

**Jackson Township Fire District No. 3
Ocean County, New Jersey
Schedule of Improvement Authorizations - Capital Fund
Year Ended December 31, 2011**

Purpose	Date	Authorized Appropriation Amount	Balance December 31, 2010	2010 Accounts Payable	2011 Authorization	2011 Paid/Charged	Balance December 31, 2011
Construction of an addition to the fire house	01/14/98	\$ 375,000	\$ 6,232	-	-	\$ -	\$ 6,232
Fire truck and communications equipment project	01/13/99	400,000	(4,875)	198	-	(4,700)	23
Vehicle replacement of suburban	10/18/04	36,000	1,370	-	-	1,369	1
Aerial platform	09/18/06	895,000	164	-	-	-	164
Building renovations	10/15/01	327,490	253,308	-	-	73,412	179,896
Replacement of chief's vehicle	12/15/08	34,753	52	200	-	252	-
Replacement of 2004 Ford	11/16/09	40,000	758	-	-	758	-
Hose dryer	11/16/09	16,000	16,000	-	-	12,937	3,063
		<u>\$ 2,124,243</u>	<u>\$ 273,009</u>	<u>\$ 398</u>	<u>\$ -</u>	<u>\$ 84,028</u>	<u>\$ 189,379</u>

Cash disbursements \$ 76,927
Accounts payable 7,101
\$ 84,028

**Jackson Township Fire District No. 3
Ocean County, New Jersey
Schedule of Improvement Authorizations - Capital Fund
Year Ended December 31, 2010**

Purpose	Date	Authorized Appropriation Amount	Balance December 31, 2009	2009 Accounts Payable	2010 Authorization	2010 Paid/Charged	Balance December 31, 2010
Construction of an addition to the fire house	01/14/98	\$ 375,000	\$ 6,232	-	-	-	\$ 6,232
Fire truck and communications equipment project	01/13/99	400,000	(4,875)	1,198	-	1,198	(4,875)
Vehicle replacement of suburban	10/18/04	36,000	1,370	-	-	-	1,370
Aerial platform	09/18/06	895,000	164	-	-	-	164
Building renovations	10/15/01	327,490	262,893	6,468	-	16,053	253,308
Replacement of chief's vehicle	12/15/08	34,753	52	725	-	725	52
Pumper engine	12/15/08	500,000	26,225	209,225	-	235,450	-
Replacement of 2004 Ford	11/16/09	40,000	-	-	40,000	39,242	758
Hose dryer	11/16/09	16,000	-	-	16,000	-	16,000
		<u>\$ 2,624,243</u>	<u>\$ 292,061</u>	<u>\$ 217,616</u>	<u>\$ 56,000</u>	<u>\$ 292,668</u>	<u>\$ 273,009</u>

Cash disbursements	\$ 292,270
Accounts payable	398
	<u>\$ 292,668</u>

Jackson Township Fire District No. 3
Ocean County, New Jersey
Statistical Information
Years Ended December 31, 2011 and 2010

Property Tax Levies

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

<u>Fiscal Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2004	\$ 1,081,326,417	\$ 1,671,771	\$ 0.155
2005	1,117,578,273	1,845,143	0.166
2006	1,059,886,329	1,891,314	0.179
2007	1,180,754,275	2,105,304	0.179
2008	1,165,020,279	2,255,580	0.194
2009	2,549,640,554	2,291,458	0.090
2010	2,541,378,546	2,205,638	0.087
2011	2,540,827,785	2,265,625	0.090

Unreserved Fund Balance – Undesignated – General Fund

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
December 31, 2006	\$ 385,835	\$ 160,000
December 31, 2007	494,235	-
December 31, 2008	802,793	185,000
December 31, 2009	598,708	209,000
December 31, 2010	586,099	138,816
December 31, 2011	540,453	68,213

Unreserved Fund Balance – Designated – Capital Fund

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
December 31, 2006	\$ 1,127,270	\$ 1,028,846
December 31, 2007	304,388	114,872
December 31, 2008	277,921	363,525
December 31, 2009	(65,741)	-
December 31, 2010	(48,346)	-
December 31, 2011	3,393	-

Jackson Township Fire District No. 3
Ocean County, New Jersey
Roster Of Officials
Year Ended December 31, 2011

<u>Board of Commissioners</u>	<u>Position</u>	<u>Amount of Surety Bond</u>
Clifford Jordan	President	\$ 300,000 *
Matt Jordan	Vice President	300,000 *
Robert Baylis	Treasurer	300,000 *
Ben Pasqua	Secretary	300,000 *
John Walter	Co-Treasurer/Co-Secretary	300,000 *

Other Official

Joseph Youssouf Board Attorney

* Blanket Bond Coverage

Surety Company

Volunteer Firemen's Insurance Services, Inc.

**Jackson Township Fire District No. 3
Ocean County, New Jersey
Comments and Recommendations
Year Ended December 31, 2011**

Scope of Examination and Conditions of Records

Our examination covered the funds of the Board of Fire Commissioners, Township of Jackson Fire District No. 3 handled by the Treasurer and Board Clerk.

The financial records were maintained in good condition.

Minutes of Board meetings were not properly maintained by the Recording Secretary. Most of the 2011 minutes were not made available until September 2012 and three of the 2011 monthly minutes were not available at all. We also noted that minutes were not posted to the District's website in a timely manner.

Cash in Banks

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

Our examination revealed that the Fire District maintains its investments in certificates of deposit.

Examination of Claims

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

The District's five (5) Commissioners receive a fee for meeting attendance during the year.

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

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

The quotation threshold is currently \$2,625.

The members of the Township of Jackson Fire District No. 3 have the responsibility of determining whether any contract or agreement might result in violation of the statute and, when necessary, the Board Attorney's opinion should be sought before a commitment is made.

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

Miscellaneous

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

Acknowledgment

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

**Jackson Township Fire District No. 3
Ocean County, New Jersey
Comments and Recommendations
Year Ended December 31, 2011**

Recommendations

See schedule of findings and recommendations.

Prior Year Comments

See schedule of prior year findings and recommendations

The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Respectfully submitted,



Ronald C. Petrics
Registered Municipal Accountant #474

For the Firm
WithumSmith & Brown, P.C.

Jackson Township Fire District No. 3
Ocean County, New Jersey
Schedule of Findings and Recommendations
Years Ended December 31, 2011 and 2010

Schedule of Financial Statement Findings

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

Significant Deficiencies and Other Matters

Finding #2011-1

During the conduct of our audit we concluded that the District's internal control regarding material adjustments could be improved. We consider this to be a significant deficiency in the District's controls.

In order to improve control over material adjustments, we recommend that the District maintain and review a standard monthly transaction and reporting checklist to better ensure that all material adjustments required to be made to the financial statements be recorded by management on a timely basis, thereby resulting in better internal financial reporting.

Finding #2011-2

During the conduct of our audit we concluded that the District's internal control regarding the timeliness and availability of board minutes available for public inspection could be improved. Copies of the 2011 board minutes were not available until September 2012, nor were they posted to the District's website. Three months were not processed as of September 2012 and were not available for review. We consider this to be a significant deficiency in the District's controls.

In order to improve controls over the District's timeliness and availability of information, we recommend that all board minutes be prepared within one month after the meeting and approved at the following meeting.

Finding #2011-3

As part of our audit procedures, we reviewed recommendations made during our prior year audit to determine the current status of such recommendations. We noted that our recommendations related to internal control regarding material adjustments and timeliness and availability of board minutes were not implemented by management during the current year.

In order to implement prior year recommendations, we recommend that the District reviews our audit findings and takes appropriate action to clear these matters.

Jackson Township Fire District No. 3
Ocean County, New Jersey
Schedule of Prior Year Findings and Recommendations
Years Ended December 31, 2011 and 2010

Schedule of Prior Year Financial Statement Findings

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

Significant Deficiencies, Material Weaknesses and Other Matters

Finding #2010-1

During the conduct of our audit we concluded that the District's internal control regarding material adjustments could be improved. We consider this to be a significant deficiency in the District's controls.

Status:

We have a similar finding in the current year. This issue was not corrected.

Finding #2010-2

During our audit of the District's accounts payable we noted four types of errors. First, purchase orders are not being entered into the accounts payable ledger on the date that they are issued. We found three purchase orders, totaling \$38,001, relating to the year ended December 31, 2010 that were not recorded in the accounts payable ledger. Second, purchase orders are not removed from the accounts payable ledger on the date that they are paid. We found six purchase orders on the ledger, totaling \$20,407 that were paid during the year but were not removed from the ledger. Third, stale purchase orders from previous years were added to the current year ledger that were not on the ledger as of December 31, 2009. We found \$1,376 of previous year purchase orders not in the previous year's accounts payable ledger. Fourth, purchase orders are recorded for more than the actual invoice amount. Three vouchers were noted that exceeded the actual invoice amount for a total error of \$2,480. We consider this to be a material weakness in the District's controls.

Status:

No audit findings were noted regarding accounts payable ledger. This issue was corrected.

Finding #2010-3

During the conduct of our audit we concluded that the District's internal control regarding the timeliness and availability of information related to the financial reporting process could be improved. Bank accounts for the year ended December 31, 2010 were not reconciled until October, 2011 and copies of the August through December 2010 Board minutes were not available until December 2011, nor were they posted to the District's website. We consider this to be a significant deficiency in the District's controls.

Status:

We have a similar finding in the current year for timeliness and availability of board minutes. Bank accounts were reconciled in a timely manner. This issue was partially corrected.

Finding #2010-4

As part of our audit procedures, we reviewed recommendations made during our prior year audit to determine the current status of such recommendations. We noted that our recommendations related to internal control regarding material adjustments and accounts payable were not implemented by management during the current year.

Status:

We have a similar finding in the current year as not all findings have been addressed. This issue has not been corrected.