

**FIRE DISTRICT NO. 4
OF THE TOWNSHIP OF JACKSON**

Financial Statements

For the year ended December 31, 2009

(With Independent Auditors' Report thereon)

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Financial Statements and Supplementary Data
For the year ended December 31, 2009
(With Independent Auditors' Report thereon)

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Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

Board of Fire Commissioners
Fire District No. 4 of the Township of Jackson:

We have audited the accompanying financial statements of the governmental activities of each major fund of Fire District No. 4 of the Township of Jackson, County of Ocean, State of New Jersey, as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fire District No. 4 of the Township of Jackson's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the New Jersey Department of Treasury, Office of Management and Budget and in compliance with audit requirements as 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 are made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of each major fund of Fire District No. 4 of the Township of Jackson, County of Ocean, State of New Jersey, as of December 31, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2010, on our consideration of Fire District No. 4 of the Township of Jackson's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis information and the budgetary comparison schedule as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

HOLMAN & FRENIA, P.C.

HOLMAN & FRENIA, P.C.
Certified Public Accountants

March 16, 2010
Toms River, New Jersey



Certified Public Accountants & Consultants

**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. 4 of the Township of Jackson:

We have audited the financial statements of Fire District No. 4 of the Township of Jackson, County of Ocean, State of New Jersey, as of and for the year ended December 31, 2009, which collectively comprise Fire District No. 4 of the Township of Jackson's basic financial statements and have issued our report thereon dated March 16, 2010. 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 audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fire District No. 4 of the Township of Jackson's internal control over financial reporting as a basis for designing our auditing procedures 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. 4 of the Township of Jackson's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fire District No. 4 of the Township of Jackson'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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a difference or a combination of differences in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in the accompanying comments and recommendations to be a significant deficiency listed as 2009-01.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fire District No. 4 of the Township of Jackson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our

tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

This report is intended solely for the information of Fire District No. 4 of the Township of Jackson's management and respective state agencies and is not intended to be and should not be used by anyone other than these specified parties.

HOLMAN & FRENIA, P.C.

HOLMAN & FRENIA, P.C.

Certified Public Accountants

March 16, 2010
Toms River, New Jersey

**JACKSON TOWNSHIP FIRE DISTRICT NO. 4
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

As management of Jackson Township Fire District No. 4, we offer readers of the Jackson Fire District No. 4 financial statements this narrative overview and analysis of the financial activities of the Jackson Township Fire District No. 4 for the year ended December 31, 2009. The intent of this narrative is to look at Jackson Township Fire District No. 4'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 15. Notes to the financial statements will provide the reader with additional useful information and they begin on page 23.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at December 31, 2009 by approximately \$2.70 million. In 2008 the excess was \$2.38 million. This is an increase of approximately \$317,500
- During 2009 Jackson Township Fire District No. 4 operated at a surplus of approximately \$317,600. The surplus in 2008 was approximately \$344,200. This is a decrease of approximately \$26,600.
- The District reduced their liabilities by approximately \$472,600 in 2009, but only used up \$155,000 of their assets to do so.
- The Board has five years left of a seven year truck bond, and one payment left on the bond for the construction of the firehouse.
- The Board retained a provider for their Length of Service Awards Program (LOSAP) and commenced the enrollment process.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. Jackson Township Fire District No. 4'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 Assets presents information on all the assets and liabilities of Jackson Township Fire District No. 4. The difference between the two is reported as the District's net assets. Significant increases or decreases in the District's net assets 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 assets increasing or decreasing during the year. Financial activities are recorded when the transactions occur rather than when the cash is received or paid out. 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. 4 has two basic functions: activities that are supported by property taxes; and activities supported by other governmental activities. Jackson Township Fire District No. 4 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. 4 uses fund accounting to document compliance with finance-related legal matters. Jackson Township Fire District No. 4 has two types of fund groups, and that is governmental funds and fiduciary funds.

Governmental Funds

Jackson Township Fire District No. 4's activities are all reported in governmental funds. These funds record the flow of cash in and out of the District during the period and the balances remaining at year end for future periods. The modified accrual basis of accounting is utilized for reporting purposes. This method of accounting measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services that it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's services.

Jackson Township Fire District No. 4 maintains two separate government funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and the capital fund.

The relationship (or differences) between governmental activities (reported in the Statement of Net Assets 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. 4 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 and the fund is used hold the funds in reserve until the actuary determines the amount to be invested for each volunteer (see Note 10).

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. 4's net assets are a useful indicator of the District's financial condition. At the end of 2009 the District's assets exceeded the liabilities by approximately \$2.70 million. The largest portion of Jackson Township Fire District No. 4's net assets (70%) 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. 4'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, 2009 the District had \$322,200 of long term debt.

Statement of Net Assets

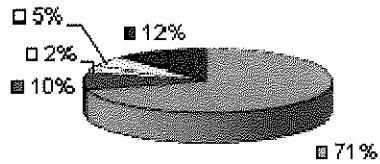
JACKSON TOWNSHIP FIRE DISTRICT NO. 4
NET ASSETS
DECEMBER 31, 2009

	2009	2008	\$ Increase (Decrease)	% Increase (Decrease)
Current and Other Assets	\$ 915,068	\$ 959,327	-44,259	-4.6%
Capital Assets	<u>2,281,793</u>	<u>2,392,586</u>	-110,793	-4.6%
Total Assets	3,196,861	3,351,913	-155,052	-4.6%
Total Liabilities	<u>(501,135)</u>	<u>(973,723)</u>	-472,588	-48.5%
Net Assets	<u>\$2,695,726</u>	<u>\$2,378,190</u>	+317,536	+13.4%

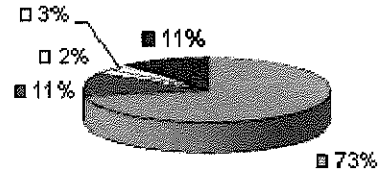
Analysis of Net Assets

Invested in Capital Assets Net of Related Debt	\$1,900,434	\$1,722,510	+177,924	+10.3%
Restricted for Capital Projects	255,146	255,146	- 0 -	- 0 -
Restricted for Subsequent Period	61,000	52,094	+8,906	+17.1%
Restricted for Encumbrances	143,216	77,360	+65,856	+85.1%
Unrestricted	<u>335,930</u>	<u>271,080</u>	+64,850	+23.9%
Total Net Assets	<u>\$2,695,726</u>	<u>\$2,378,190</u>	+317,536	+13.4%

2009 Net Assets



2008 Net Assets



Invested in Net Assets
 Capital Projects
 Designated
 Encumbered
 Unrestricted

Invested in Net Assets
 Capital Projects
 Designated
 Encumbered
 Unrestricted

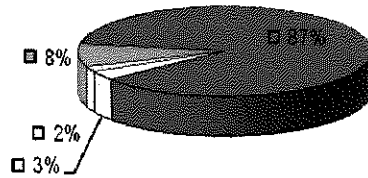
The net assets of Jackson Township Fire District No. 4 increased approximately \$317,600 during the 2009 period. This increase was due partially to the District's excess of revenues over expenditures. Other major changes in net assets at December 31, 2009 were a \$472,600 decrease in liabilities. The District added \$110,300 capital assets during the year. In 2009 the net capital assets decreased by \$110,800 after \$221,000 of 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:

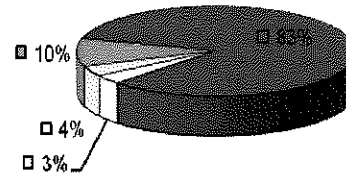
Expenses	2009	2008	\$ Increase (Decrease)	% Increase (Decrease)
Program Expenses				
Administrative Expenses	\$ 90,592	\$ 111,008	-20,416	-18.4%
Cost of Operations & Maintenance	971,435	912,150	+59,285	+6.5%
Operating Appropriations Offset With Revenues	32,360	35,944	-3,594	-10.0%
Interest on Long-Term Debt	<u>21,789</u>	<u>41,751</u>	-19,962	-47.8%
Total Program Expenses	1,116,176	1,100,853	+15,323	+1.4%

2009 Program Expenses



Administrative
 Operations
 Expenses offset by Revenues
 Interest

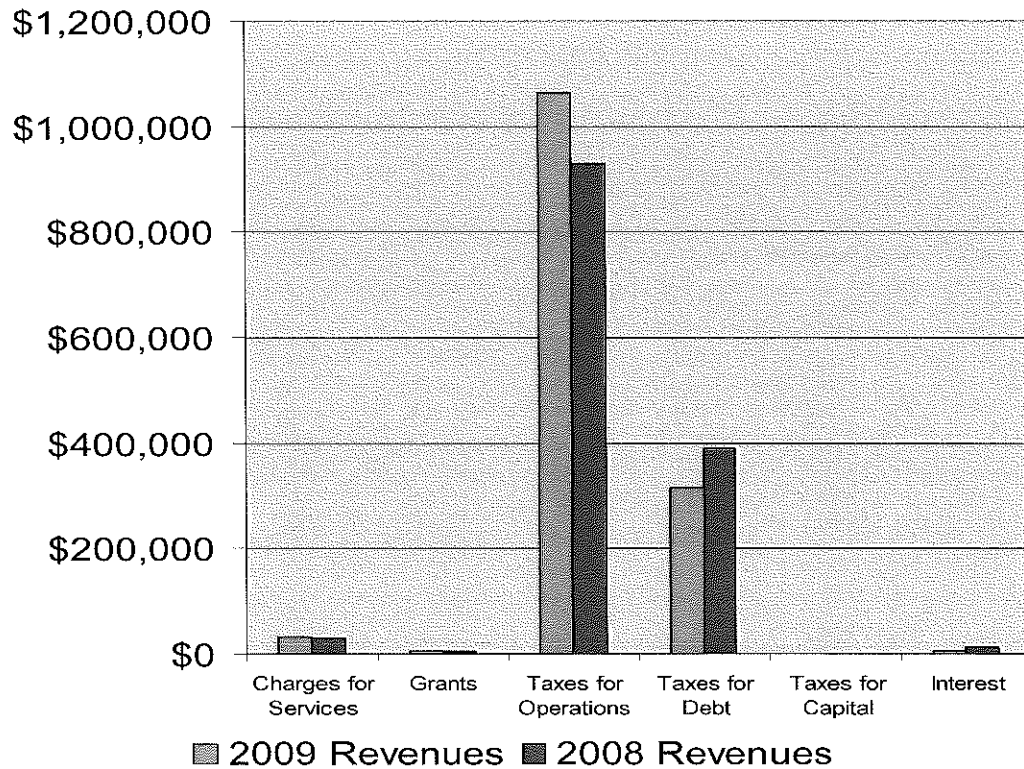
2008 Program Expenses



Administrative
 Operations
 Expenses offset by Revenues
 Interest

	2009	2008	\$ Increase (Decrease)	% Increase (Decrease)
Program Revenues				
Charges for Services	32,270	28,774	+3,496	+12.2%
Operating Grants & Contributions	<u>4,226</u>	<u>4,226</u>	- 0 -	- 0 -
Net Program Expenses	<u>1,079,680</u>	<u>1,067,853</u>	+11,827	+1.1%
General Revenues				
Property Taxes Levied for General Purposes	1,064,123	928,873	+135,250	+14.6%
Property Taxes Levied for Debt Service	315,679	390,384	-74,705	-19.1%
Unrestricted Investment Earnings	5,257	11,720	-6,463	-55.2%
Miscellaneous Income(Loss)	<u>12,157</u>	<u>81,108</u>	-68,951	-85.1%
Total General Revenues	<u>1,397,216</u>	<u>1,412,085</u>	-14,869	-1.1%
Increase in Net Assets	317,536	344,232	-26,696	-7.6%
Prior Period Adjustment	- 0 -	100,390	-100,390	-100.0%
Net Assets, January 1	<u>2,378,190</u>	<u>1,933,568</u>	+444,622	+23.0%
Net Assets, December 31	<u>\$2,695,726</u>	<u>\$2,378,190</u>	+327,561	+13.8%

Revenues



Property tax revenue constituted 96% of the total governmental activities revenues received by Jackson Township Fire District No. 4 in 2009. In 2008 the property tax revenue constituted 91% of total revenues.

The Cost of Operations & Maintenance was 87% and 83% of the District's total expenses in 2009 and 2008 respectively. Administration expenses equaled 8% and 10% of the total expenses in 2009 and 2008 respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

Jackson Township Fire District No. 4 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, 2009, the combined balance of the governmental cash funds of Jackson Township Fire District No. 4 was approximately \$869,900. This balance is \$1,600 higher than last year's combined governmental funds balance. The increase is due primarily to the net effect of surplus generated in the General Fund, utilization of surplus and reclassification of encumbrances.

The combined fund balance of the governmental funds of Jackson Township Fire District No. 4 was approximately \$823,800. Unreserved fund balance amounted to \$619,600 of that total. Twenty-five percent, \$204,200, of the balance has been designated for utilization in the 2010 budget and for additional 2009 purchase orders (encumbrances).

The general fund is the main operating fund of Jackson Township Fire District No. 4. At the end of 2009, the total fund balance of the general fund was \$568,600. Of this balance, \$364,400 was unreserved.

During 2009 the general fund balance of Jackson Township Fire District No. 4 increased by approximately \$137,600. The primary reasons for this increase are as follows:

- The District decreased their liabilities by approximately \$182,400.
- The Board received revenues in excess of the anticipated 2009 Budget by approximately \$17,700.

At the end of 2009, the District had a capital projects fund balance of approximately \$255,100. This balance decreased from 2008 by approximately \$12,400. The major change in this fund balance was:

- A capital appropriation from the general fund of \$12,400.

General Fund Budgetary Highlights

In 2009 the Board assumed the responsibilities of the Uniform Fire Safety Act (UFSA) in the District. UFSA revenues are a factor of enforcement. The fees charged in 2009 were approximately 2.9% of the operating revenues.

The original budget had a \$52,100 projected deficit. This deficit was covered by utilization of unrestricted surplus accumulated from prior years. The Board did not need to utilize any of the designated surplus due to actual expenditures being less than budgeted. 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 \$17,700 in 2009. Any excess in 2010 is expected to be similar.

Overall, the District spent almost \$254,700 less than originally anticipated in the budget for 2009.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2009 Jackson Township Fire District No. 4 had invested in capital assets for government activities \$2,281,800 (net of accumulated depreciation). Capital assets consist of firehouse improvements, fire apparatus, fire equipment, and office equipment. They purchased approximately \$110,300 of apparatus and equipment in 2009. They disposed of a \$14,000 obsolete vehicle.

JACKSON TOWNSHIP FIRE DISTRICT NO. 4
 CAPITAL ASSETS
 (NET OF ACCUMULATED DEPRECIATION)
 DECEMBER 31, 2009

	2009	2008	Change
Firehouse & Land	\$ 2,199,017	\$ 2,137,860	+61,157
Vehicles & Apparatus	1,910,388	1,924,388	-14,000
Equipment	<u>438,202</u>	<u>389,105</u>	+49,097
 Total Capital Assets	 4,547,607	 4,451,353	 +96,254
 Accumulated Depreciation	 <u>2,265,814</u>	 <u>2,058,767</u>	 +207,047
 Investment in Capital Assets – net	 <u>\$ 2,281,793</u>	 <u>\$ 2,392,586</u>	 -110,793

Additional information on Jackson Township Fire District No. 4’s capital assets can be found in Note 6 in the notes to the financial statements.

Long-Term Obligations

Jackson Township Fire District No. 4 currently has one bond issue and one lease purchase outstanding at 12/31/2009.

The District bonded the purchase of a ladder truck in 2008 in the amount of \$475,000 for seven years. These bonds will be paid off in 2014.

The District has one remaining lease purchase which will be completed in 2010. At this time the Board intends to acquire the apparatus.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

In 2009, Jackson Township Fire District No. 4 was able to cover all its appropriations through the fire tax levy and other revenues. In 2009 the fire tax levy amounted to 96% of total revenue collected.

Jackson Township Fire District No. 4 adopted their 2010 budget on January 21, 2010. The voters subsequently voted down the budget at the February election. The 2010 adopted budget reflected an increase in the tax levy of \$41,200. The Jackson Township Town Council passed a resolution amending the defeated budget and reduced the increase to \$19,600. The Board anticipates no significant change in the fire tax rate. It is projected that a family with a home assessed at \$200,000 will pay approximately \$290 in 2010 for fire protection.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Jackson Township Fire District No. 4'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 William Allman, Jackson Township Fire District No. 4, 465A North County Line Road, Jackson, New Jersey, 08527.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Statement of Net Assets
December 31, 2009
(With comparative totals for December 31, 2008)

	Governmental Activities	
	<u>2009</u>	<u>(Memorandum Only)</u> <u>2008</u>
Assets:		
Current assets:		
Cash	\$ 617,911	\$ 868,295
Investments	252,025	-
Due from Jackson District No. 2	-	145
Due from others	5,043	70,318
Interfund receivable	29,533	10,571
Prepaid expenses	10,556	9,998
Total current assets	<u>915,068</u>	<u>959,327</u>
Fixed assets (net of depreciation)	<u>2,281,793</u>	<u>2,392,586</u>
Total assets	<u>3,196,861</u>	<u>3,351,913</u>
Liabilities:		
Current liabilities:		
Accounts payable	24,869	25,954
Accrued professional fees	11,800	11,500
Accrued interest	4,804	9,977
Accrued payroll	4,041	3,325
Accrued pension	40,025	30,000
Interfund payable	-	180,000
Capital leases payable	28,359	26,717
Bonds payable	65,000	262,000
Total current liabilities	<u>178,898</u>	<u>549,473</u>
Noncurrent liabilities:		
Capital leases payable	-	28,359
Bonds payable	288,000	353,000
Compensated absences	34,237	42,891
Total noncurrent liabilities	<u>322,237</u>	<u>424,250</u>
Total liabilities	<u>501,135</u>	<u>973,723</u>
Net assets:		
Investment in general fixed assets, net of related debt	1,900,434	1,722,510
Restricted net assets:		
Encumbrances	143,216	77,360
Capital	255,146	255,146
Designated for subsequent year's expenditures	61,000	52,094
Unreserved	335,930	271,080
Total net assets	<u>\$ 2,695,726</u>	<u>\$ 2,378,190</u>

See accompanying notes to financial statements.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Statement of Activities
For the year ended December 31, 2009
(With comparative totals for the year ended December 31, 2008)

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities</u>	
			<u>2009</u>	<u>(Memorandum Only) 2008</u>
Government activities:				
Operation appropriations:				
Administration	\$ 90,592	\$ -	\$ (90,592)	\$ (111,008)
Costs of operations and maintenance	971,435	32,270	(939,165)	(899,320)
Interest expense	21,789	-	(21,789)	(41,751)
Length of service award program	20,000	-	(20,000)	(20,000)
Capital appropriations	12,360	-	(12,360)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total government activities	1,116,176	32,270	(1,083,906)	(1,072,079)
	<hr/>	<hr/>	<hr/>	<hr/>
General revenues:				
Miscellaneous revenue			17,414	92,827
Operating grant revenues			4,226	4,226
Amount raised by taxation			1,379,802	1,319,258
			<hr/>	<hr/>
Total general revenues			1,401,442	1,416,311
			<hr/>	<hr/>
Excess of revenues over expenditures			317,536	344,232
Net assets, January 1			2,378,190	1,933,568
Prior period adjustment			-	100,390
			<hr/>	<hr/>
Net assets, January 1 (restated)			2,378,190	2,033,958
			<hr/>	<hr/>
Net assets, December 31			\$ 2,695,726	\$ 2,378,190
			<hr/>	<hr/>

See accompanying notes to financial statements.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Balance Sheet
Governmental Funds
December 31, 2009
(With comparative totals for December 31, 2008)

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	Totals (Memorandum Only)	
				December 31, 2009	December 31, 2008
Assets:					
Cash	\$ 617,911	\$ -	\$ -	\$ 617,911	\$ 868,295
Investments	252,025	-	-	252,025	-
Due from Jackson Fire District No. 2	-	-	-	-	145
Due from others	5,043	-	-	5,043	70,318
Interfund receivable	29,533	255,146	-	284,679	278,077
Total assets	<u>904,512</u>	<u>255,146</u>	<u>-</u>	<u>1,159,658</u>	<u>1,216,835</u>
Liabilities, equity and other credits:					
Accounts payable	24,869	-	-	24,869	25,954
Accrued professional fees	11,800	-	-	11,800	11,500
Accrued payroll	4,041	-	-	4,041	3,325
Accrued pension	40,025	-	-	40,025	30,000
Interfund payable	255,146	-	-	255,146	447,506
Total liabilities	<u>335,881</u>	<u>-</u>	<u>-</u>	<u>335,881</u>	<u>518,285</u>
Fund balances					
Reserved:					
For encumbrances	143,216	-	-	143,216	77,360
For subsequent year's expenditures	61,000	-	-	61,000	52,094
Total reserved	<u>204,216</u>	<u>-</u>	<u>-</u>	<u>204,216</u>	<u>129,454</u>
Unreserved	<u>364,415</u>	<u>255,146</u>	<u>-</u>	<u>619,561</u>	<u>569,096</u>
Total fund balance	<u>568,631</u>	<u>255,146</u>	<u>-</u>	<u>823,777</u>	<u>698,550</u>
Total liabilities and fund balance	<u>\$ 904,512</u>	<u>\$ 255,146</u>	<u>\$ -</u>		
Amounts reported for governmental activities in the statement of net assets (A-1) are different because:					
Prepaid insurance is reported in governmental funds as expenditures. However, in the statement of net assets, the cost of those assets is expensed over the term of the policy as insurance expense.				10,556	9,998
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$4,547,607 and the accumulated depreciation is \$2,265,814.				2,281,793	2,392,586
Accrued interest not recorded in current financial statements.				(4,804)	(9,977)
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.				(415,596)	(712,967)
Net assets of governmental activities				<u>\$ 2,695,726</u>	<u>\$ 2,378,190</u>

See accompanying notes to financial statements.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the year ended December 31, 2009
(With comparative totals for the year ended December 31, 2008)

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals (Memorandum Only)</u>	
				<u>December 31, 2009</u>	<u>December 31, 2008</u>
Revenues:					
Miscellaneous anticipated revenue:					
Annual registration fees	\$ 32,270	\$ -	\$ -	\$ 32,270	\$ 28,774
Investment income	5,257	-	-	5,257	11,720
Other revenue	12,157	-	-	12,157	81,107
Total miscellaneous revenues	<u>49,684</u>	<u>-</u>	<u>-</u>	<u>49,684</u>	<u>121,601</u>
Operating grant revenues:					
Supplemental fire service act	4,226	-	-	4,226	4,226
Total operating grant revenue	<u>4,226</u>	<u>-</u>	<u>-</u>	<u>4,226</u>	<u>4,226</u>
Total revenues	<u>53,910</u>	<u>-</u>	<u>-</u>	<u>53,910</u>	<u>125,827</u>
Amount raised by taxation to support district budget	1,064,123	-	315,679	1,379,802	1,319,258
Total anticipated revenues	<u>1,118,033</u>	<u>-</u>	<u>315,679</u>	<u>1,433,712</u>	<u>1,445,085</u>
Expenditures:					
Operating appropriations:					
Administration:					
Salaries and wages	20,000	-	-	20,000	22,125
Fringe benefits	5,442	-	-	5,442	-
Other expenditures:					
Professional fees	67,533	-	-	67,533	74,612
Elections	529	-	-	529	1,492
Office supplies and postage	5,442	-	-	5,442	4,607
Paying agent fees	300	-	-	300	1,293
Total administration	<u>99,246</u>	<u>-</u>	<u>-</u>	<u>99,246</u>	<u>104,129</u>
Cost of operations and maintenance:					
Salaries and wages	259,291	-	-	259,291	212,457
Fringe benefits	117,644	-	-	117,644	111,005
Other expenditures:					
Rental charges	59,115	-	-	59,115	48,605
Gear	19,292	-	-	19,292	13,839
Supplies	17,375	-	-	17,375	35,018
Insurance	62,840	-	-	62,840	59,981
SCBA	23,378	-	-	23,378	201
Emergency First Aid equipment	5,580	-	-	5,580	6,761
Advertising	611	-	-	611	1,332
Fire prevention	1,538	-	-	1,538	-
Training and education	8,857	-	-	8,857	18,567
Utilities	56,278	-	-	56,278	60,695
Maintenance and repairs	118,632	-	-	118,632	108,595
Firefighter expenses	10,591	-	-	10,591	14,137
Other non-bondable assets	55,729	-	-	55,729	137,362
Total cost of operations and maintenance	<u>816,751</u>	<u>-</u>	<u>-</u>	<u>816,751</u>	<u>828,555</u>

See accompanying notes to financial statements.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the year ended December 31, 2009
(With comparative totals for the year ended December 31, 2008)

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Operating appropriations offset with revenues:					
Salaries and wages	34,588	-	-	34,588	29,508
Fringe benefits	2,441	-	-	2,441	2,441
USFA supplies	7,420	-	-	7,420	3,995
Total operating appropriations offset with revenues	<u>44,449</u>	<u>-</u>	<u>-</u>	<u>44,449</u>	<u>35,944</u>
Length of service award program	20,000	-	-	20,000	20,000
Capital appropriations	-	12,360	-	12,360	25,248
Debt service for capital appropriations:					
Bond principal	-	-	262,000	262,000	260,000
Interest on bonds	-	-	23,574	23,574	42,815
Capital leases	-	-	26,717	26,717	82,017
Interest on capital leases	-	-	3,388	3,388	5,553
Total debt service for capital appropriations	<u>-</u>	<u>-</u>	<u>315,679</u>	<u>315,679</u>	<u>390,385</u>
Total operating appropriations	<u>980,446</u>	<u>12,360</u>	<u>315,679</u>	<u>1,308,485</u>	<u>1,404,261</u>
Excess (efficiency) of revenues over (under) expenditures	137,587	(12,360)	-	125,227	40,824
Fund balance, January 1	431,044	267,506	-	698,550	521,049
Prior period adjustment	-	-	-	-	136,677
Fund balance, January 1 (restated)	<u>431,044</u>	<u>267,506</u>	<u>-</u>	<u>698,550</u>	<u>657,726</u>
Fund balance, December 31	<u>\$ 568,631</u>	<u>\$ 255,146</u>	<u>\$ -</u>	<u>\$ 823,777</u>	<u>\$ 698,550</u>

See accompanying notes to financial statements.

FIRE DISTRICT NO. 4 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, 2009

Total net changes in Fund Balance-Governmental Funds (B-2) \$ 125,227

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

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.

	110,254	
Capital Outlays-Capital Project Fund		
Depreciation Expense	<u>(221,047)</u>	(110,793)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. 262,000

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. 26,717

Accrual of interest on capital leases and bonds is not an expenditure in the governmental funds, but the adjustment is charged to expense and is reported in the statement of activities.

	9,977	
Prior year		
Current year	<u>(4,804)</u>	5,173

Prepaid insurance is reported in governmental funds as expenditures. However, in the statement of net assets, the cost of those assets is expensed over the term of the policy as insurance expense.

	(9,998)	
Prior year		
Current year	<u>10,556</u>	558

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 decrease in sick leave paid was \$8,654.

8,654

Changes in net assets of governmental activities \$ 317,536

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Fiduciary Funds
Statement of Net Assets
December 31, 2009
(With comparative totals for December 31, 2008)

	<u>Payroll Agency</u>	<u>Length of Service Award Program</u>	<u>Totals (Memorandum Only)</u>	
			<u>December 31, 2009</u>	<u>December 31, 2008</u>
Assets:				
Cash	\$ 19,989	\$ 211,241	\$ 231,230	\$ 11,452
Interfund receivable	-	-	-	180,000
Total assets	<u>19,989</u>	<u>211,241</u>	<u>231,230</u>	<u>191,452</u>
Liabilities:				
Accrued taxes and benefits payable	-	-	-	881
Interfund liabilities	<u>19,989</u>	<u>9,544</u>	<u>29,533</u>	<u>10,571</u>
Total liabilities	<u>19,989</u>	<u>9,544</u>	<u>29,533</u>	<u>11,452</u>
Net Assets:				
Reserved:				
For Length of Service Award Program	-	94,210	94,210	180,000
Unreserved	<u>-</u>	<u>107,487</u>	<u>107,487</u>	<u>-</u>
Total net assets	<u>\$ -</u>	<u>\$ 201,697</u>	<u>\$ 201,697</u>	<u>\$ 180,000</u>

See accompanying notes to financial statements.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
Length of Service Award
For the year ended December 31, 2009
(With comparative totals for the year ended December 31, 2008)

	Totals	
	(Memorandum Only)	
	December 31,	December 31,
	<u>2009</u>	<u>2008</u>
Revenues and Other Financing Sources:		
District contributions	\$ 20,000	\$ -
Interest income	1,697	-
Total revenues and other financing sources	21,697	-
Fund balance, January 1	180,000	180,000
Fund balance, December 31	\$ 201,697	\$ 180,000

See accompanying notes to financial statements.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements
For the year ended December 31, 2009

NOTE 1: GENERAL INFORMATION

A. Description of Reporting Entity

Fire District No. 4 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. 4 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, 2009:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
William Allmann	2011
John Bollentin	2012
Peter Kitay	2011
Richard Leonard	2010
John Sherry	2012

C. Accounting Records

The official accounting records of the Fire District No. 4 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.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON

Notes to Financial Statements (continued)

For the year ended December 31, 2009

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 D) 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."

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.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

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 fire fighting apparatus. Generally, the financial resources of the Capital Projects Fund are derived from the issuance of debt or by the reservation of fund balance, which must be authorized by the voters as a separate question 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:

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 adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments as of January 1, 2004. The District’s basic financial statements reflect the implementation.

The district-wide financial statements (A-1 and A-2) include the statement of net assets and the statement of activities. These statements report financial information of the District as a whole excluding the fiduciary activities. All inter-fund activity, excluding the fiduciary funds, has been eliminated in the statement of activities. Individual funds are not displayed but the statements distinguish governmental activities as generally supported through taxes and user fees.

Fund Financial Statements

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

D. 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 approve 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

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets and Budgetary Accounting (continued)

hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the fire district. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the fire commissioners may, by majority vote, adopt the budget.

Amendments may be made to the Fire District budget in accordance with N.J.S.A 40A: 14-78.3. The budget may not be amended subsequent to its final adoption and approval.

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

E. Encumbrances

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances, 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 encumbrance at December 31, 2009 totaled \$143,216.

F. 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.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash and Cash Equivalents and Investments (continued)

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.

G. Inventories and Prepaid Expenses

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

H. 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.

I. 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.

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:

Station and Improvements	10 to 30 Years
Equipment	5 to 15 Years
Mobile Equipment	5 to 10 Years

J. 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.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. 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.

L. 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.

M. 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 un-matured interest on general long-term debt, which is recognized when due.

N. 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, an amount equaling 21.25% of all monies 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.

O. Fund Equity

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.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. 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.

Q. 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, 2009, 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.

NOTE 3: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

The Fire District is permitted by *N.J.S.A.40A:5-15.1* to invest monies in the following types of securities if suitable for registry: (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America; (2) Government money market mutual funds; (3) Any obligation that a federal agency or a 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 obligation bears a fixed rate of interest not dependent on any index or other external factor; (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located; (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of Treasury for investment by local units; (6) Local government investment pools; (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or (8) Agreements for the repurchase of fully collateralized securities, if: (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. of this statute; (b) the custody of collateral is transferred to a third party; (c) the maturity of the agreement is not more than 30 days; (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and (e) a master repurchase agreement providing for the custody and security of collateral is executed.

The Fire District invests available cash in savings accounts and certificates of deposits that are secured by federal obligations. Investments are recorded on a cost basis as cash in the financial statements regardless of the length or maturity of investment.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2009

NOTE 3: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

As of December 31, 2009 cash consisted of:

Savings & Checking Accounts (FDIC Insured)	\$ 637,900
Investments	<u>463,266</u>
 Total	 <u>\$ 1,101,166</u>

The Fire District is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2009, and reported at fair value are as follows:

<u>Type</u>	<u>Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand Deposits	N/A	N/A	\$ 849,141
Investments	Various	Various	<u>252,025</u>
 Total deposits and investments			 <u>\$ 1,101,166</u>
Reconciliation of Governmental Fund Statements:			
General fund			\$ 869,936
Fiduciary fund			<u>231,230</u>
 Total			 <u>\$ 1,101,166</u>

A. Custodial Credit Risk

Deposits in financial institutions, reported as components of cash, cash equivalents and investments had a bank balance of \$1,103,027 at December 31, 2009. Of the bank balance, \$250,000 was fully insured by depository insurance and \$853,027 was secured by a collateral pool held by the bank, but not in the Fire District's name, as required by New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Governmental Unit Deposit Protection Act is more fully described in Note 4.

B. Investment Interest Rate Risk

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, 2009, are provided in the above schedule.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2009

NOTE 3: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

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.

D. Concentration of Investment Credit Risk

The Fire District places no limit on the amount it may invest in any one issuer. December 31, 2009, the Fire District had investments that totaled \$252,025.

NOTE 4: GOVERNMENTAL UNIT DEPOSIT PROTECTION ACT (GUDPA)

The Fire District has deposited cash in 2009 with an approved public fund depository qualified under the provisions of the Government Unit Deposit Protection Act.

The Governmental Unit Deposit Protection Act P.L. 1970, Chapter 236, was passed to afford protection against bankruptcy or default by a depository. C.17:9-42 provides that no governmental unit shall deposit funds in a public depository unless such funds are secured in accordance with this act. C.17:9-42 provides that every public depository having public funds on deposit shall, as security for such deposits, maintain eligible collateral having a market value at least equal to either (1) 5% of the average daily balance of collected public funds on deposit during the 6 month period ending on the next preceding valuation date (June 30 or December 31) or (2) at the election of the depository, at least equal

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2009

NOTE 4: GOVERNMENTAL UNIT DEPOSIT PROTECTION ACT (GUDPA) (continued)

to 5% of the average balance of collected public funds on deposit on the first, eighth, fifteenth, and twenty-second days of each month in the 6 month period ending on the next preceding valuation date (June 30 or December 31). No public depository shall be required to maintain any eligible collateral pursuant to this act as security for any deposit or deposits of any governmental unit to the extent such deposits are insured by F.D.I.C. or any other U.S. agency which insures public depository funds.

No public depository shall at any time receive and hold on deposit for any period in excess of 15 days public funds of a governmental unit(s) which, in the aggregate, exceed 75% of the capital funds of the depository, unless such depository shall, in addition to the security required to be maintained under the paragraph above, secure such excess by eligible collateral with a market value at least equal to 100% of such excess.

In the event of a default, the Commissioner of Banking within 20 days after the default occurrence shall ascertain the amount of public funds on deposit in the defaulting depository and the amounts covered by federal deposit insurance and certify the amounts to each affected governmental unit. Within 10 days after receipt of this certification, each unit shall furnish to the Commissioner verified statements of its public deposits. The Commissioner shall ascertain the amount derived or to be derived from the liquidation of the collateral maintained by the defaulting depository and shall distribute such proceeds pro rata among the governmental units to satisfy the net deposit liabilities to such units.

If the proceeds of the sale of the collateral are insufficient to pay in full the liability to all affected governmental units, the Commissioner shall assess the deficiency against all other public depositories having public funds on deposit determined by a formula determined by law. All sums collected by the Commissioner shall be paid to the governmental units having deposits in the defaulting depository in the proportion that the net deposit liability to each such governmental unit bears to the aggregate of the net deposit liabilities to all such governmental units.

All public depositories are required to furnish information and reports dealing with public funds on deposit every six months, June 30th and December 31st, with the Commissioner of Banking. Any public depository which refuses or neglects to give any information so requested may be excluded by the Commissioner from the right to receive public funds for deposit until such time as the Commissioner shall acknowledge that such depository has furnished the information requested.

Upon review and approval of the Certification Statement that the public depository complies with statutory requirements, the Commissioner issues forms approving the bank as a municipal depository. The Fire District should request copies of these approval forms semiannually to assure that all depositories are complying with requirements.

NOTE 5: DUE FROM OTHERS

As December 31, 2009, the District was owed \$1,732 and \$3,311 from the State of New Jersey for LEA fees and from Jackson Twp, respectively.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2009

NOTE 6: FIXED ASSETS

Fixed assets consisted of the following at December 31, 2009:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Equipment	\$ 389,105	\$ 49,097	\$ -	\$ 438,202
Buildings and improvements	2,137,860	61,157	-	2,199,017
Trucks and vehicles	<u>1,924,388</u>	<u>-</u>	<u>(14,000)</u>	<u>1,910,388</u>
Totals at historical cost	<u>4,451,353</u>	<u>110,254</u>	<u>(14,000)</u>	<u>4,547,607</u>
Less: accumulated depreciation				
Equipment	(169,399)	(47,449)	-	(216,848)
Buildings and improvements	(1,255,090)	(94,776)	-	(1,349,866)
Trucks and vehicles	<u>(634,278)</u>	<u>(78,822)</u>	<u>14,000</u>	<u>(699,100)</u>
Total accumulated depreciation	<u>(2,058,767)</u>	<u>(221,047)</u>	<u>14,000</u>	<u>(2,265,814)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>\$ 2,392,586</u>	<u>\$ (110,793)</u>	<u>\$ -</u>	<u>\$ 2,281,793</u>

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 fire fighting 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.

NOTE 7: NONCURRENT LIABILITIES

During the fiscal year ended December 31, 2009 the following changes occurred in liabilities reported in long-term debt:

	<u>Balance 12/31/08</u>	<u>Accrued/ increases</u>	<u>Retired/ decreases</u>	<u>Balance 12/31/09</u>	<u>Due within one year</u>
Capital leases	\$ 55,076	\$ -	\$ 26,717	\$ 28,359	\$ 28,359
Bonds payable	615,000	-	262,000	353,000	65,000
Compensated absences	<u>42,891</u>	<u>-</u>	<u>8,654</u>	<u>34,237</u>	<u>-</u>
Total	<u>\$ 712,967</u>	<u>\$ -</u>	<u>\$ 297,371</u>	<u>\$ 415,596</u>	<u>\$ 93,359</u>

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2009

NOTE 7: NONCURRENT LIABILITIES (continued)

A. Capital Leases

The following is a schedule of future minimum capital lease payments at December 31, 2009:

Fiscal Year	<u>Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010		\$ 28,359	\$ 1,745	\$ 30,104
Total		<u>\$ 28,359</u>	<u>\$ 1,745</u>	<u>\$ 30,104</u>

B. Bonds Payable

The following is a schedule of future minimum bond payments at December 31, 2009:

Fiscal Year	<u>Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010		65,000	13,749	78,749
2011		68,000	10,897	78,897
2012		71,000	7,915	78,915
2013		74,000	4,805	78,805
2014		<u>75,000</u>	<u>1,609</u>	<u>76,609</u>
Total		<u>\$ 353,000</u>	<u>\$ 38,975</u>	<u>\$ 391,975</u>

NOTE 8: 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, 2009, the District did not have a current liability for compensated absences. The amounts included in the long-term liabilities consists of the following:

	<u>2009</u>
Total Compensated Absences	<u>\$34,237</u>

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2009

NOTE 9: PENSION

A. Custodial Credit Risk

Fire District No. 4 of the Township of Jackson contributes to a cost-sharing multiple-employer defined benefit pension plan, 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 State of New Jersey P.F.R.S. program was 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 plan's 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. Funding Policy

The System's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the System 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 System's Board of Trustees is primarily responsible for the administration of the System.

According to the State of New Jersey administrative code, all obligations of the System will be assumed by the State of New Jersey should the System terminate.

Plan members are required to contribute 8.5% of their annual covered salary for P.F.R.S. and the fire district is required to contribute at an actuarially determined rate. The current rate represents approximately 5.4% for P.F.R.S. of annual covered payroll. The contribution requirements of plan members 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, 2009.

Two-Year Trend Information for PFRS

<u>Year Funding</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Life Ins. Premium</u>	<u>Net Pension Obligation</u>
12/31/09	\$ 22,243	\$15,846	\$ 1,936	\$ 40,025
12/31/08	\$ 18,128	\$ 8,574	\$ 1,550	\$ 28,252

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2009

NOTE 10: LENGTH OF SERVICE AWARDS PROGRAM

The District has a contractual agreement to award an annuity to volunteer firefighters based on length of service to insure continued service.

The Board of Commissioners had a Length of Service Award reserve of approximately \$200,000 as of December 31, 2009.

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.

NOTE 11: INTERFUND RECEIVABLE/PAYABLE

As of December 31, 2009, the following interfund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 29,533	\$ 255,146
Capital projects	255,146	-
Payroll agency	-	19,989
Length of Service Program	-	<u>9,544</u>
 Total	 <u>\$ 284,679</u>	 <u>\$ 284,679</u>

NOTE 12: 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, 2009, the fire tax rate on the Fire District No. 4 was approximately \$.064 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 \$4,226. As a condition of this grant, the Board must match the grant by 10%.

NOTE 13: PRIOR PERIOD ADJUSTMENT

In 2008, it was determined that the District's records as of December 31, 2007 were not recorded in accordance with N.J.A.C. 5:31-7-1. The District had recorded encumbrance payable and therefore overstated the District's liabilities by \$100,390. The District corrected this with an adjustment to the prior year retained earnings.

Prior period adjustments were also needed for budgetary basis fund balances.

The general fund had recorded encumbrances payable and therefore overstated the liabilities by \$62,782. The general fund had also recorded deferred charges to future taxation, overstating assets by \$7,149. Compensated absences were recorded and overstated liabilities by \$36,012. Additionally, prepaid insurance was recorded and overstated assets by \$9,633.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements (continued)
For the year ended December 31, 2009

NOTE 13: PRIOR PERIOD ADJUSTMENT (continued)

The capital fund had recorded encumbrances payable and therefore overstated the liabilities by \$37,608. The general fund had also recorded improvement authorizations, overstating liabilities by \$462. Additionally, accrued interest was recorded and overstated liabilities by \$16,595.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Budgetary Comparison Schedule
For the year ended December 31, 2009

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Annual registration fees	\$ 10,000	\$ 10,000	\$ 32,270	\$ 22,270
Investment income	12,000	12,000	5,257	(6,743)
Other revenue	10,000	10,000	12,157	2,157
Total miscellaneous revenues	<u>32,000</u>	<u>32,000</u>	<u>49,684</u>	<u>17,684</u>
Operating grant revenues:				
Supplemental fire service act	4,226	4,226	4,226	-
Total operating grant revenue	<u>4,226</u>	<u>4,226</u>	<u>4,226</u>	<u>-</u>
Total revenues	<u>36,226</u>	<u>36,226</u>	<u>53,910</u>	<u>17,684</u>
Amount raised by taxation to support district budget	<u>1,379,802</u>	<u>1,379,802</u>	<u>1,379,802</u>	<u>-</u>
Total anticipated revenues	<u>1,416,028</u>	<u>1,416,028</u>	<u>1,433,712</u>	<u>17,684</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	20,000	20,000	20,000	-
Fringe benefits	-	-	5,442	(5,442)
Other expenditures:				
Professional fees	90,500	101,550	67,533	34,017
Elections	1,500	1,500	529	971
Office supplies and postage	10,000	10,000	5,442	4,558
Paying agent fees	3,600	3,600	300	3,300
Total administration	<u>125,600</u>	<u>136,650</u>	<u>99,246</u>	<u>37,404</u>
Cost of operations and maintenance:				
Salaries and wages	227,000	247,400	259,291	(11,891)
Fringe benefits	119,100	119,100	117,644	1,456
Other expenditures:				
Rental charges	60,000	60,000	59,115	885
Gear	14,000	19,300	19,292	8
Supplies	30,000	20,000	17,375	2,625
Insurance	84,000	78,850	62,840	16,010
SCBA	20,000	23,400	23,378	22
Emergency First Aid equipment	7,000	7,000	5,580	1,420
Advertising	2,000	2,000	611	1,389
Fire prevention	5,000	5,000	1,538	3,462
Training and education	18,000	18,900	8,857	10,043
Contingencies	13,294	13,294	-	13,294

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Budgetary Comparison Schedule
For the year ended December 31, 2009

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Utilities	60,000	60,000	56,278	3,722
Maintenance and repairs	100,000	150,000	118,632	31,368
Firefighter expenses	6,000	10,600	10,591	9
Other non-bondable assets	191,000	170,000	55,729	114,271
Total cost of operations and maintenance	<u>956,394</u>	<u>1,004,844</u>	<u>816,751</u>	<u>188,093</u>
Operating appropriations offset with revenues:				
Salaries and wages	30,000	35,500	34,588	912
Fringe benefits	2,500	2,500	2,441	59
USFA supplies	10,000	10,000	7,420	2,580
Total operating appropriations offset with revenues	<u>42,500</u>	<u>48,000</u>	<u>44,449</u>	<u>3,551</u>
Deferred charges:				
Cash deficit of preceeding years	7,949	7,949	-	7,949
Total deferred charges	<u>7,949</u>	<u>7,949</u>	<u>-</u>	<u>7,949</u>
Length of service award program	20,000	20,000	20,000	-
Capital appropriations	<u>-</u>	<u>12,360</u>	<u>12,360</u>	<u>-</u>
Debt service for capital appropriations:				
Bond principal	262,000	262,000	262,000	-
Interest on bonds	23,574	23,574	23,574	-
Capital leases	26,717	26,717	26,717	-
Interest on capital leases	3,388	3,388	3,388	-
Total debt service for capital appropriations	<u>315,679</u>	<u>315,679</u>	<u>315,679</u>	<u>-</u>
Total operating appropriations	<u>1,468,122</u>	<u>1,545,482</u>	<u>1,308,485</u>	<u>236,997</u>
Excess (efficiency) of revenues over (under) expenditures	(52,094)	(129,454)	125,227	(254,681)
Fund balance, January 1	<u>698,550</u>	<u>698,550</u>	<u>698,550</u>	<u>-</u>
Fund balance, December 31	<u>\$ 646,456</u>	<u>\$ 569,096</u>	<u>\$ 823,777</u>	<u>\$ (254,681)</u>



Certified Public Accountants & Consultants

Board of Fire Commissioners
Fire District No. 4 of the Township of Jackson
Jackson, New Jersey 08527

We have audited the basic financial statements of the Fire District No. 4 of the Township of Jackson, County of Ocean, State of New Jersey for the year ended December 31, 2009. 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 \$21,000 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 \$3,150 "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*).

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.

Finding 2009-01:

During our physical inventory count, it was noted that 12 of the 25 items selected for testing by the auditor did not agree to the District's inventory listing. As of the date of the audit report, the District has not provided an updated inventory listing.

Recommendation:

The District should take physical inventory at the end of each calendar year. This inventory listing should be reviewed and checked by the District to ensure accuracy.

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, P.C.

HOLMAN & FRENIA, P.C.
Certified Public Accountants

March 16, 2010
Toms River, New Jersey