

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

**Financial Statements**

**For the year ended December 31, 2012**

**(With Independent Auditors' Report thereon)**

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**Financial Statements**  
**For the year ended December 31, 2012**  
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## INDEPENDENT AUDITORS' REPORT

Board of Fire Commissioners  
Jackson Board of Fire Commissioners No. 4:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of each major fund and the aggregate remaining fund information of the Jackson Board of Fire Commissioners No. 4, County of Ocean, State of New Jersey, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of each major fund and the aggregate remaining fund information of the Jackson Board of Fire Commissioners No. 4, County of Ocean, State of New Jersey, as of December 31, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-14 and 39-40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2013 on our consideration of the Jackson Board of Fire Commissioners No. 4's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jackson Board of Fire Commissioners No. 4's internal control over financial reporting and compliance.

  
**HOLMAN & FRENIA, P.C.**  
*Certified Public Accountants*

February 14, 2013  
Toms River, New Jersey

**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 Board of Fire Commissioners No. 4:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities and the aggregate remaining fund information of Jackson Board of Fire Commissioners No. 4, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Jackson Board of Fire Commissioners No. 4's basic financial statements, and have issued our report thereon dated February 14, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Jackson Board of Fire Commissioners No. 4's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jackson Board of Fire Commissioners No. 4's internal control. Accordingly, we do not express an opinion on the effectiveness of Jackson Board of Fire Commissioners No. 4's internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Jackson Board of Fire Commissioners No. 4's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*HOLMAN & FRENIA, P.C.*  
**HOLMAN & FRENIA, P.C.**  
*Certified Public Accountants*

February 14, 2013  
Toms River, New Jersey

**JACKSON TOWNSHIP FIRE DISTRICT NO. 4  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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, 2012. 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, 2012 by approximately \$3.43 million. In 2011 the excess was \$3.17 million. This is an increase of approximately \$266,500
- During 2012 Jackson Township Fire District No. 4 operated at a surplus of approximately \$266,500. The surplus in 2011 was approximately \$173,300. This is an increase of approximately \$93,200.
- The District reduced their liabilities by approximately \$111,100 in 2012, and increased their assets by approximately \$155,400.
- As of December 31, 2012 the Board's only debt was a two year balance on bonds issued to purchase fire apparatus.
- The Board continued to enroll qualified volunteer firefighters in the Length of Service Awards Program (LOSAP) to encourage volunteer firefighter retention.

**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 Position presents information on all the assets and liabilities of Jackson Township Fire District No. 4. The difference between the assets and liabilities is reported as the District's net position. Significant increases or decreases in the District's net position can be an indication of the financial health of the District. The Statement of Activities presents financial information about activities that result in the District's net position increasing or decreasing during the year. Financial activities are recorded when the transactions occur rather than when the cash is received or disbursed. As a result, there could be activities that result in cash flow in a future period.

The district-wide financial statements report on the financial data by function. Jackson Township Fire District No. 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 the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's services.



Jackson Township Fire District No. 4 maintains three separate government funds, the General Fund, the Debt Service Fund, and the Capital Projects Fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital fund.

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

As required by N.J.S.A. 40A:14:78-3, Jackson Township Fire District No. 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 (see Note 11).

### **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 position is a useful indicator of the District's financial condition. At the end of 2012, the District's assets exceeded its liabilities by approximately \$3.43 million. The largest portion of Jackson Township Fire District No. 4's net position (55%) 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, 2012 the District had \$75,000 of long term debt.

**Statement of Net Position**

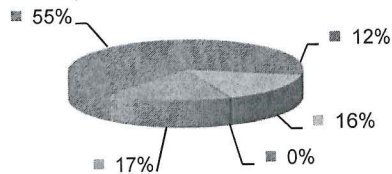
**JACKSON TOWNSHIP FIRE DISTRICT NO. 4  
NET POSITION  
DECEMBER 31, 2012**

	2012	2011	\$ Increase (Decrease)	% Increase (Decrease)
Current and Other Assets	\$1,692,730	\$1,545,710	+147,020	+9.5%
Capital Assets	<u>2,033,029</u>	<u>2,024,649</u>	+8,380	+.4%
Total Assets	3,725,759	3,570,359	+155,400	+4.4%
Total Liabilities	<u>( 291,047)</u>	<u>( 402,118)</u>	(111,071)	(27.6%)
Net Assets	<u><u>\$3,434,712</u></u>	<u><u>\$3,168,241</u></u>	+266,471	+8.4%

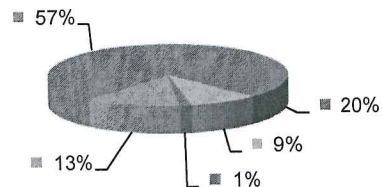
**Analysis of Net Position**

Invested in Capital Assets Net of Related Debt	\$1,884,029	\$1,804,649	+79,380	+4.4%
Restricted for Capital Projects	419,146	623,146	(204,000)	(32.7%)
Restricted for Subsequent Period	530,000	285,000	+245,000	+86.0%
Restricted for Encumbrances	12,696	51,095	(38,399)	(75.2%)
Unrestricted	<u>588,841</u>	<u>404,351</u>	+184,490	+45.6%
Total Net Position	<u><u>\$3,434,712</u></u>	<u><u>\$3,168,241</u></u>	+266,471	+8.4%

**2012 Net Position**



**2011 Net Position**



- Invested in Net Assets
- Capital Projects
- Designated
- Encumbered
- Unrestricted

- Invested in Net Assets
- Capital Projects
- Designated
- Encumbered
- Unrestricted

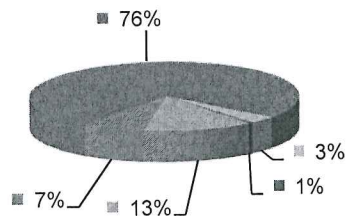
The net position of Jackson Township Fire District No. 4 increased approximately \$266,500 during the 2012 period. This increase was due primarily to the District's excess of revenues over expenditures. Other major changes in net position at December 31, 2012 was a \$111,100 decrease in liabilities. The District added approximately \$246,900 capital assets during the year. In 2012 the capital assets increased by approximately \$8,400 after approximately \$238,500 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:

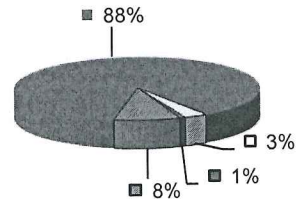
	2012	2011	\$ Increase (Decrease)	% Increase (Decrease)
Expenses				
Program Expenses				
Administrative Expenses	\$ 94,527	\$ 111,693	(17,166)	(15.4%)
Cost of Operations & Maintenance	972,703	1,136,181	(163,478)	(14.4%)
Operating Appropriations Offset With Revenues	40,843	37,845	+2,998	+7.9%
Capital Appropriations	171,304	- 0 -	+171,304	+100.0%
Interest on Long-Term Debt	<u>7,153</u>	<u>10,168</u>	(3,015)	(29.7%)
Total Program Expenses	1,286,530	1,295,887	(9,357)	(.7%)

2012 Program Expenses



- Administrative
- Operations
- Expenses offset by Revenues
- Interest
- Capital

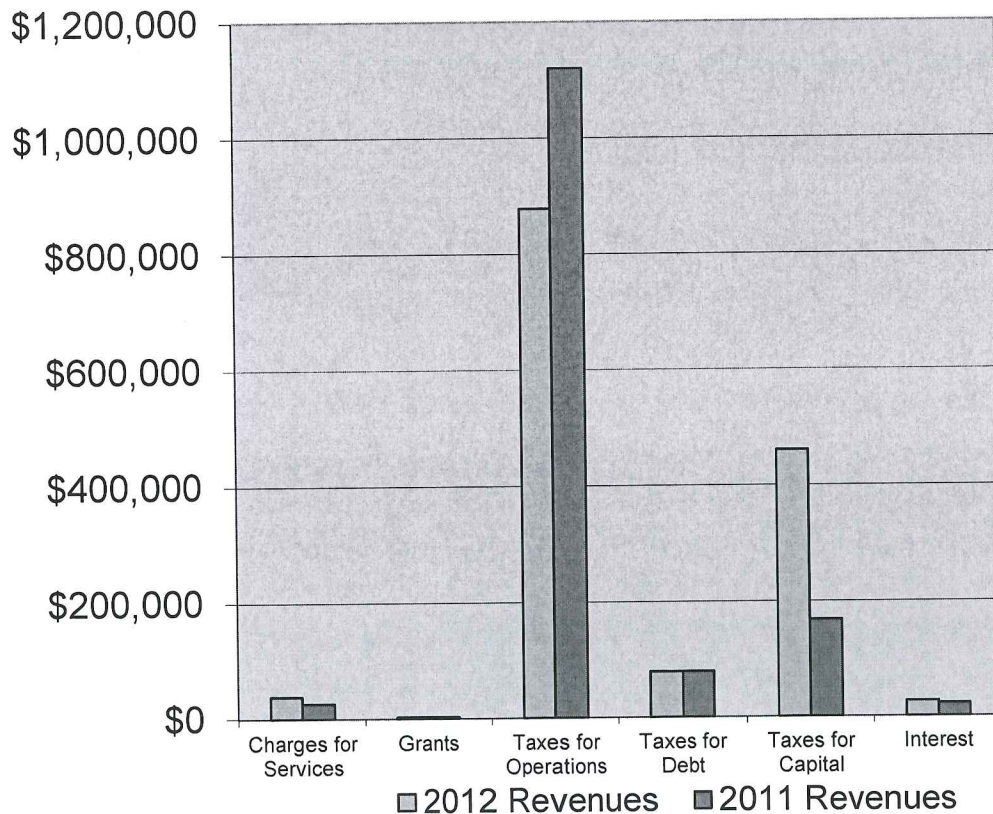
2011 Program Expenses



- Administrative
- Operations
- Expenses offset by Revenues
- Interest

	2012	2011	\$ Increase (Decrease)	% Increase (Decrease)
<b>Program Revenues</b>				
Charges for Services	38,325	25,826	+12,499	+48.4%
Operating Grants & Contributions	<u>3,257</u>	<u>3,257</u>	- 0 -	- 0 -%
Net Program Expenses	<u>1,244,948</u>	<u>1,266,804</u>	(21,856)	(1.7%)
<b>General Revenues</b>				
Property Taxes Levied for General Purposes	878,325	1,120,047	(241,722)	(21.6%)
Property Taxes Levied for Future Capital Purchases	460,000	168,000	+292,000	+173.8%
Property Taxes Levied for Debt Service	78,915	78,897	+18	+1.1%
Unrestricted Investment Earnings	26,448	22,358	+4,090	+18.3%
Miscellaneous Income (Loss)	<u>67,731</u>	<u>50,798</u>	+16,933	+33.3%
Total General Revenues	<u>1,511,419</u>	<u>1,440,100</u>	+71,319	+5.0%
Increase in Net Position	266,471	173,296	+93,175	+53.8%
Net Position, January 1	<u>3,168,241</u>	<u>2,994,945</u>	+173,296	+5.8%
Net Position, December 31	<u>\$3,434,712</u>	<u>\$3,168,241</u>	+266,471	+8.4%

### Revenues



Property tax revenue constituted 91% of the total governmental activities revenues received by Jackson Township Fire District No. 4 in 2012. In 2011 the property tax revenue constituted 93% of total revenues.

The Cost of Operations & Maintenance was 79% and 91% of the District's total expenses in 2012 and 2011 respectively. Administration expenses equaled 7% and 8% of the total expenses in 2012 and 2011 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, 2012, the combined balance of the governmental cash funds of Jackson Township Fire District No. 4 was approximately \$1,630,100. This balance is approximately \$137,900 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, capital appropriation and transfer from LOSAP.

The combined balance of the governmental funds of Jackson Township Fire District No. 4 was approximately \$1,578,800. Unreserved fund balance amounted to \$617,000 of that total. Funds have been designated for use in the 2013 Budget in the amount of \$530,000, and \$12,700 of the balance has been designated for additional 2012 purchase orders (encumbrances).

The general fund is the main operating fund of Jackson Township Fire District No. 4. At the end of 2012, the total fund balance of the general fund was approximately \$667,000. Of this balance, approximately \$667,000 was unreserved.

During 2012 the general fund balance of Jackson Township Fire District No. 4 decreased by approximately \$108,100. The primary reasons for this decrease are as follows:

- The Board expended more funds than they received in revenues by approximately \$108,100.

At the end of 2012, the District had a capital projects fund balance of approximately \$911,800. This balance increased from 2011 by approximately \$288,700. The major change in this fund balance was:

- A capital appropriation from the general fund of \$460,000.

### **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 2012 were approximately 2.5% of the operating revenues.

The 2012 Budget had revenues equal to expenditures and did not require the utilization of unrestricted surplus accumulated from prior years. The unused surplus becomes available for future budget periods as undesignated surplus in the General Fund.

The District had total actual revenues in excess of budgeted revenues of approximately \$351,900 in 2012. Any excess in 2013 is expected to be similar.

Overall, the District spent approximately \$688,000 less than originally anticipated in the budget for 2012.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

As of December 31, 2012 Jackson Township Fire District No. 4 had invested in capital assets for government activities of approximately \$2,033,000 (net of accumulated depreciation). Capital assets consist of firehouse improvements, fire apparatus, fire equipment, and office equipment. They purchased approximately \$246,900 of apparatus and equipment in 2012.

JACKSON TOWNSHIP FIRE DISTRICT NO. 4  
 CAPITAL ASSETS  
 (NET OF ACCUMULATED DEPRECIATION)  
 DECEMBER 31, 2012

	2012	2011	Change
Firehouse & Land	\$ 2,522,987	\$ 2,334,023	+188,964
Vehicles & Apparatus	1,966,914	1,922,135	+44,779
Equipment	<u>485,520</u>	<u>505,432</u>	(19,912)
 Total Capital Assets	 4,975,421	 4,761,590	 +213,831
 Accumulated Depreciation	 <u>2,942,390</u>	 <u>2,736,941</u>	 +205,449
 Investment in Capital Assets – net	 <u>\$ 2,033,031</u>	 <u>\$ 2,024,649</u>	 +8,382

Additional information on Jackson Township Fire District No. 4's capital assets can be found in note 7 in the notes to the financial statements.

**Long-Term Obligations**

The District bonded the purchase of a ladder truck in 2010 in the amount of \$475,000 for seven years. These bonds will be paid off in 2014.

## **ECONOMIC FACTORS AND NEXT YEARS BUDGET**

In 2012, Jackson Township Fire District No. 4 was able to cover all its appropriations through the fire tax levy and other revenues. In 2012 the fire tax levy amounted to 91% of total revenue collected.

Jackson Township Fire District No. 4 adopted their 2013 budget on January 21, 2013. The voters subsequently voted to approve the budget at the February election. The 2013 adopted budget reflected an increase in the tax levy of \$35,218. The Board anticipates no significant change in the fire tax rate. It is projected that a family with a home assessed at \$250,000 will pay approximately \$160 in 2013 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 Position**  
**December 31, 2012**  
**(With comparative totals for December 31, 2011)**

	<b>Governmental Activities</b>	
	<b>(Memorandum Only)</b>	
	<u>2012</u>	<u>2011</u>
<b>Assets:</b>		
<b>Current assets:</b>		
Cash	\$ 751,108	\$ 638,531
Investments	878,980	853,686
Due from others	9,053	5,897
Other receivables	36,962	37,411
Prepaid expenses	16,627	10,185
Total current assets	<u>1,692,730</u>	<u>1,545,710</u>
Fixed assets (net of depreciation)	<u>2,033,031</u>	<u>2,024,649</u>
Total assets	<u>3,725,761</u>	<u>3,570,359</u>
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Accounts payable	40,524	30,369
Accrued professional fees	12,850	12,700
Accrued interest	1,598	2,360
Accrued payroll	6,269	12,657
Accrued pension	-	43,979
Other payables	37,646	37,646
Bonds payable	74,000	71,000
Total current liabilities	<u>172,887</u>	<u>210,711</u>
<b>Noncurrent liabilities:</b>		
Bonds payable	75,000	149,000
Compensated absences	43,162	42,407
Total noncurrent liabilities	<u>118,162</u>	<u>191,407</u>
Total liabilities	<u>291,049</u>	<u>402,118</u>
<b>Net position:</b>		
Investment in general fixed assets, net of related debt	1,884,031	1,804,649
<b>Restricted net position:</b>		
Encumbrances	12,696	51,095
Capital	419,146	623,146
Designated for subsequent year's expenditures	50,000	285,000
Designated for subsequent year's expenditures - capital	480,000	-
Unreserved net position	588,839	404,351
Total net position	<u>\$ 3,434,712</u>	<u>\$ 3,168,241</u>

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Statement of Activities**  
**For the year ended December 31, 2012**  
**(With comparative totals for the year ended December 31, 2011)**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities</u>	
			<u>2012</u>	<u>(Memorandum Only) 2011</u>
Government activities:				
Operation appropriations:				
Administration	\$ 94,527	\$ -	\$ (94,527)	\$ (111,693)
Costs of operations and maintenance	972,078	38,325	(933,753)	(1,114,708)
Interest expense	7,153	-	(7,153)	(10,168)
Length of service award program	41,468	-	(41,468)	(33,491)
Capital appropriations	171,304	-	(171,304)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total government activities	1,286,530	38,325	(1,248,205)	(1,270,060)
	<hr/>	<hr/>	<hr/>	<hr/>
General revenues:				
Miscellaneous revenue			36,224	38,005
Operating grant revenues			3,257	3,257
Amount raised by taxation			1,417,240	1,366,944
Transfer from other funds			57,955	35,151
			<hr/>	<hr/>
Total general revenues			1,514,676	1,443,357
			<hr/>	<hr/>
Change in net position			266,471	173,297
			<hr/>	<hr/>
Net position, January 1			3,168,241	2,994,944
			<hr/>	<hr/>
Net position, December 31			\$ 3,434,712	\$ 3,168,241
			<hr/>	<hr/>

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2012**  
 (With comparative totals for December 31, 2011)

				Totals	
	General Fund	Capital Projects Fund	Debt Service Fund	December 31, 2012	(Memorandum Only) December 31, 2011
Assets:					
Cash	\$ 751,108	\$ -	\$ -	\$ 751,108	\$ 638,531
Investments	-	878,980	-	878,980	853,686
Due from others	9,053	-	-	9,053	5,897
Interfund receivable	36,962	32,862	-	69,824	660,557
Total assets	797,123	911,842	-	1,708,965	2,158,671
Liabilities, equity and other credits:					
Accounts payable	40,524	-	-	40,524	30,369
Accrued professional fees	12,850	-	-	12,850	12,700
Accrued payroll	6,269	-	-	6,269	12,657
Accrued pension	-	-	-	-	43,979
Interfund payable	70,508	-	-	70,508	660,792
Total liabilities	130,151	-	-	130,151	760,497
Fund balances					
Restricted for:					
Capital	-	419,146	-	419,146	623,146
Subsequent year's expenditures - capital	-	480,000	-	480,000	-
Committed for:					
Other purposes	-	12,696	-	12,696	-
Assigned for:					
Subsequent year's expenditures	50,000	-	-	50,000	285,000
Other purposes	-	-	-	-	51,095
Unassigned, reported in:					
General fund	616,972	-	-	616,972	438,933
Total fund balance	666,972	911,842	-	1,578,814	1,398,174
Total liabilities and fund balance	\$ 797,123	\$ 911,842	\$ -		
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.				16,627	10,185
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$4,975,421 and the accumulated depreciation is \$2,942,390.				2,033,031	2,024,649
Accrued interest not recorded in current financial statements.				(1,598)	(2,360)
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.				(192,162)	(262,407)
Net assets of governmental activities				\$ 3,434,712	\$ 3,168,241

**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, 2012**  
**(With comparative totals for the year ended December 31, 2011)**

				<u>Totals</u>	
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>December 31, 2012</u>	<u>(Memorandum Only) December 31, 2011</u>
<b>Revenues:</b>					
Miscellaneous anticipated revenue:					
Annual registration fees	\$ 38,325	\$ -	\$ -	\$ 38,325	\$ 25,827
Investment income	26,448	-	-	26,448	22,359
Other revenue	9,776	-	-	9,776	15,646
Total miscellaneous revenues	<u>74,549</u>	<u>-</u>	<u>-</u>	<u>74,549</u>	<u>63,832</u>
Operating grant revenues:					
Supplemental fire service act	3,257	-	-	3,257	3,257
Total operating grant revenue	<u>3,257</u>	<u>-</u>	<u>-</u>	<u>3,257</u>	<u>3,257</u>
Total revenues	<u>77,806</u>	<u>-</u>	<u>-</u>	<u>77,806</u>	<u>67,089</u>
Amount raised by taxation to support district budget	878,325	460,000	78,915	1,417,240	1,366,944
Total anticipated revenues	<u>956,131</u>	<u>460,000</u>	<u>78,915</u>	<u>1,495,046</u>	<u>1,434,033</u>
<b>Expenditures:</b>					
Operating appropriations:					
Administration:					
Salaries and wages	20,000	-	-	20,000	20,000
Other expenditures:					
Professional fees	66,935	-	-	66,935	80,821
Elections	855	-	-	855	812
Office supplies and postage	5,982	-	-	5,982	6,561
Total administration	<u>93,772</u>	<u>-</u>	<u>-</u>	<u>93,772</u>	<u>108,194</u>
Cost of operations and maintenance:					
Salaries and wages	285,027	-	-	285,027	269,809
Fringe benefits	155,176	-	-	155,176	141,031
Other expenditures:					
Rental charges	60,645	-	-	60,645	61,015
Gear	17,421	-	-	17,421	29,953
Supplies	33,500	-	-	33,500	35,094
Insurance	101,723	-	-	101,723	88,255
SCBA	1,192	-	-	1,192	11,385
Emergency First Aid equipment	4,662	-	-	4,662	-
Advertising	415	-	-	415	442
Fire prevention	1,414	-	-	1,414	1,054
Training and education	15,548	-	-	15,548	8,461
Utilities	52,015	-	-	52,015	59,298
Maintenance and repairs	111,538	-	-	111,538	153,892
Firefighter expenses	14,059	-	-	14,059	12,475
Other non-bondable assets	91,724	-	-	91,724	64,428
Total cost of operations and maintenance	<u>946,059</u>	<u>-</u>	<u>-</u>	<u>946,059</u>	<u>936,592</u>

The accompanying notes are an integral part of these 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, 2012  
(With comparative totals for the year ended December 31, 2011)

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>	
				<u>December 31, 2012</u>	<u>(Memorandum Only) December 31, 2011</u>
Operating appropriations offset with revenues:					
Salaries and wages	36,983	-	-	36,983	33,554
USFA supplies	3,860	-	-	3,860	4,291
Total operating appropriations offset with revenues	40,843	-	-	40,843	37,845
Length of service award program	41,468	-	-	41,468	33,491
Capital appropriations	-	171,304	-	171,304	
Debt service for capital appropriations:					
Bond principal	-	-	71,000	71,000	68,000
Interest on bonds	-	-	7,915	7,915	10,897
Total debt service for capital appropriations	-	-	78,915	78,915	78,897
Total operating appropriations	1,122,142	171,304	78,915	1,372,361	1,195,019
Other financing sources and uses:					
Transfer of unrestricted funds from LOSAP	57,955	-	-	57,955	35,151
Total other financing sources and uses	57,955	-	-	57,955	35,151
Excess (efficiency) of revenues over (under) expenditures	(108,056)	288,696	-	180,640	274,165
Fund balance, January 1	775,028	623,146	-	1,398,174	1,124,009
Fund balance, December 31	\$ 666,972	\$ 911,842	\$ -	\$ 1,578,814	\$ 1,398,174

**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, 2012**

Total net changes in Fund Balance-Governmental Funds (B-2) \$ 180,640

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.

Capital Outlays-General Fund	75,623	
Capital Outlays-Capital Projects Fund	171,304	
Depreciation Expense	<u>(238,545)</u>	8,382

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. 71,000

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

Prior year	2,360	
Current year	<u>(1,598)</u>	762

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.

Prior year	(10,185)	
Current year	<u>16,627</u>	6,442

In the statement of activities, certain operating expenses, e.g., compensated absences (sick leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used, essentially, the amounts actually paid. This year, the increase in sick leave paid was \$755. (755)

Changes in net position of governmental activities \$ 266,471

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON  
 Fiduciary Funds  
 Statement of Net Position  
 December 31, 2012  
 (With comparative totals for December 31, 2011)

	<u>Payroll Agency</u>	<u>Length of Service Award Program</u>	<u>Totals</u>	
			<u>December 31, 2012</u>	<u>(Memorandum Only) December 31, 2011</u>
Assets:				
Cash	\$ 36,962	\$ -	\$ 36,962	\$ 94,665
Investments	-	125,948	125,948	86,250
Interfund receivable	-	37,646	37,646	37,646
Total assets	<u>36,962</u>	<u>163,594</u>	<u>200,556</u>	<u>218,561</u>
Liabilities:				
Interfund liabilities	<u>36,962</u>	-	<u>36,962</u>	<u>37,411</u>
Total liabilities	<u>36,962</u>	-	<u>36,962</u>	<u>37,411</u>
Net position:				
Reserved:				
For Length of Service Award Program	-	163,594	163,594	181,150
Total net position	<u>\$ -</u>	<u>\$ 163,594</u>	<u>\$ 163,594</u>	<u>\$ 181,150</u>

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**Length of Service Award**  
**For the year ended December 31, 2012**  
**(With comparative totals for the year ended December 31, 2011)**

	Totals	
	December 31, <u>2012</u>	(Memorandum Only) December 31, <u>2011</u>
Revenues and Other Financing Sources:		
District contributions	\$ 41,468	\$ 33,491
Interest income	9,488	298
Total revenues and other financing sources	<u>50,956</u>	<u>33,789</u>
Expenditures:		
Administrative fees and refunds	1,127	3,116
Lump sum distributions	9,430	38,548
Total expenditures	<u>10,557</u>	<u>41,664</u>
Other financing sources and uses:		
Transfer of unrestricted funds from LOSAP	<u>(57,955)</u>	<u>(35,151)</u>
Total other financing sources and uses	<u>(57,955)</u>	<u>(35,151)</u>
Change in net position	(17,556)	(43,026)
Net position, January 1	<u>181,150</u>	<u>224,176</u>
Net position, December 31	<u>\$ 163,594</u>	<u>\$ 181,150</u>

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



**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements**  
**For the year ended December 31, 2012**

**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, 2012:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
William Allmann	2014
John Bollentin	2015
Kenneth Byrnes	2014
Richard Leonard	2013
John Sherry	2015

**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, 2012**

**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 N) 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.

*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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2012**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Fund Accounting (continued)**

*Capital Projects Fund (continued)*

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 adopted the provisions of Governmental Accounting Standards Board Statement No. 63, Statement of Net Position as of January 1, 2012. The District’s basic financial statements reflect the implementation.

The district-wide financial statements (A-1 and A-2) include the statement of net position 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, 2012**

**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, 2012 totaled \$12,696.

**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, 2012**

**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, 2012**

**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, 2012**

**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, 2012, 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.

**R. Subsequent Events**

Jackson Board of Fire Commissioners No. 4 has evaluated subsequent events occurring after December 31, 2012 through the date of February 14, 2013, which is the date the financial statements were available to be issued.

**NOTE 3: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS**

The Fire District is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2012, and reported at fair value are as follows:

<u>Type</u>	<u>Carrying Value</u>
<b>Deposits:</b>	
Demand deposits	\$ <u>788,070</u>
Total deposits	\$ <u>788,070</u>
<b>Reconciliation to Governmental and Fiduciary Fund Statements:</b>	
Governmental Funds	\$ 751,108
Fiduciary Funds	<u>36,962</u>
Total	\$ <u>788,070</u>

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2012, the District's bank balance of \$802,758 was insured or collateralized as follows:

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2012**

**NOTE 3: CASH AND CASH EQUIVALENTS (continued)**

**Custodial Credit Risk (continued)**

Insured	\$ 250,000
Collateralized in the District's name under GUDPA (See Note 5)	<u>552,758</u>
Total	<u>\$ 802,758</u>

**NOTE 4: INVESTMENTS**

**A. Custodial Credit Risk**

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

**B. Investment Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Fire District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at December 31, 2012, are provided in the below schedule.

**C. Investment Credit Risk**

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

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;
- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Fire District or bonds or other obligations of the local unit or units within which the Fire District is located;



**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2012**

**NOTE 4: INVESTMENTS (continued)**

**C. Investment Credit Risk (continued)**

- 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.

As of December 31, 2012, the Fire District had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Rating</u>	<u>Fair Value</u>
Certificate of Deposit	7/22/2014	3.20%	\$ 277,422
Certificate of Deposit	3/8/2015	3.35%	\$ 219,326
Certificate of Deposit	6/20/2016	2.67%	<u>\$ 382,232</u>
Total Capital Fund			<u>\$ 878,980</u>
LOSAP Annuity Contract			<u>\$ 125,948</u>

The Fire District has received a letter from Shore Community Bank allowing Jackson Board of Fire Commissioners No. 4 to withdraw from the Certificate of Deposit's at any time without penalties.

**NOTE 5: GOVERNMENTAL UNIT DEPOSIT PROTECTION ACT (GUDPA)**

The Fire District has deposited cash in 2012 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 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.

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2012**

**NOTE 5: GOVERNMENTAL UNIT DEPOSIT PROTECTION ACT (GUDPA) (continued)**

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 6: DUE FROM OTHERS**

As December 31, 2012, the District was owed \$3,920 and \$2,442 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, 2012**

**NOTE 7: FIXED ASSETS**

Fixed assets consisted of the following at December 31, 2012:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Equipment	\$ 505,432	\$ 13,184	\$ (33,096)	\$ 485,520
Buildings and improvements	2,315,859	17,660	-	2,333,519
Construction in progress	18,164	171,304	-	189,468
Trucks and vehicles	<u>1,922,135</u>	<u>44,779</u>	<u>-</u>	<u>1,966,914</u>
Totals at historical cost	<u>4,761,590</u>	<u>246,927</u>	<u>(33,096)</u>	<u>4,975,421</u>
Less: accumulated depreciation				
Equipment	(324,064)	(50,890)	33,096	(341,858)
Buildings and improvements	(1,554,370)	(106,959)	-	(1,661,329)
Trucks and vehicles	<u>(858,507)</u>	<u>(80,696)</u>	<u>-</u>	<u>(939,203)</u>
Total accumulated depreciation	<u>(2,736,941)</u>	<u>(238,545)</u>	<u>33,096</u>	<u>(2,942,390)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>\$ 2,024,649</u>	<u>\$ 8,382</u>	<u>\$ -</u>	<u>\$ 2,033,031</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 8: NONCURRENT LIABILITIES**

During the fiscal year ended December 31, 2012 the following changes occurred in liabilities reported in long-term debt:

	<u>Balance 12/31/11</u>	<u>Accrued/ increases</u>	<u>Retired/ decreases</u>	<u>Balance 12/31/12</u>	<u>Due within one year</u>
Bonds payable	\$ 220,000	\$ -	\$ 71,000	\$ 149,000	\$ 74,000
Compensated absences	<u>42,407</u>	<u>755</u>	<u>-</u>	<u>43,162</u>	<u>-</u>
Total	<u>\$ 262,407</u>	<u>\$ 755</u>	<u>\$ 71,000</u>	<u>\$ 192,162</u>	<u>\$ 74,000</u>

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2012**

**NOTE 8: NONCURRENT LIABILITIES (continued)**

**Bonds Payable**

The following is a schedule of future minimum bond payments at December 31, 2012:

<b>Fiscal Year</b>			
<b><u>Ended</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2013	\$ 74,000	\$ 4,805	\$ 78,805
2014	<u>75,000</u>	<u>1,609</u>	<u>76,609</u>
Total	<u>\$ 149,000</u>	<u>\$ 6,414</u>	<u>\$ 155,414</u>

**NOTE 9: 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, 2012, the District did not have a current liability for compensated absences. The amounts included in the long-term liabilities consists of the following:

	<b><u>2012</u></b>
Total Compensated Absences	<u>\$43,162</u>

**NOTE 10: PENSION**

**A. Custodial Credit Risk**

Jackson Board of Fire Commissioners No. 4 contributes to a cost-sharing multiple-employer defined benefit pension plan, Public Employees' Retirement System (P.E.R.S.) and the Police and Fireman's Retirement System (P.F.R.S.), administered by the State of New Jersey, Division of Pensions and Benefits. It provides retirement, disability, medical and death benefits to plan members and beneficiaries.

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2012**

**NOTE 10: PENSION (continued)**

**A. Custodial Credit Risk (continued)**

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

**B. Vesting and Benefit Provisions**

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

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

Chapter 78, P.L. 2011 changed this for employees enrolled after June 28, 2011. See Note 10C below.

**C. Significant Legislation**

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2012**

**NOTE 10: PENSION (continued)**

**C. Significant Legislation (continued)**

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

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

All cost of living adjustments are frozen until the pension fund reaches a "target funded ratio".

Chapter 78 also requires all covered employees to contribute a prescribed percentage towards their health costs.

**D. Contribution Requirements**

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

Plan members are required to contribute 10%, effective October 1, 2011, of their annual covered salary for P.F.R.S. and Jackson Board of Fire Commissioners No. 4 is required to contribute at an actuarially determined rate. The contribution requirements of plan members and are established and may be amended by the plan's board of trustees. The District contributed to P.F.R.S. for the year ended December 31, 2012.

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2012**

**NOTE 11: 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 contribution for the year ended December 31, 2011 and paid in the fiscal year ended December 31, 2012 is \$41,468.

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 12: INTERFUND RECEIVABLE/PAYABLE**

As of December 31, 2012, the following interfund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 36,962	\$ 70,508
Capital projects	32,862	-
Payroll agency	-	36,962
Length of Service Program	<u>37,646</u>	<u>-</u>
Total	<u>\$ 107,470</u>	<u>\$ 107,470</u>

The purpose of interfunds is for short-term borrowings.

**NOTE 13: 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, 2012, the fire tax rate on the Fire District No. 4 was approximately \$.065 per \$100 of assessed valuation.

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

**NOTE 14: GASB #54 FUND BALANCE DISCLOSURE**

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because legal or contractual constraints.

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2012**

**NOTE 14: GASB #54 FUND BALANCE DISCLOSURE (continued)**

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

**General Fund** – Of the \$666,972 General Fund fund balance at December 31, 2012, \$50,000 has been assigned for subsequent year's expenditures and \$616,972 is unassigned.

**Capital Projects Fund** – Of the \$911,842 Capital Projects Fund fund balance at December 31, 2012, \$12,696 has been committed for other purposes, \$480,000 has been restricted for subsequent year's expenditures in Capital and \$419,146 is restricted for Capital.



**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Budgetary Comparison Schedule**  
**For the year ended December 31, 2012**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Annual registration fees	\$ 12,000	\$ 12,000	\$ 38,325	\$ 26,325
Investment income	2,500	2,500	26,448	23,948
Other revenue	10,000	10,000	9,776	(224)
Total miscellaneous revenues	<u>24,500</u>	<u>24,500</u>	<u>74,549</u>	<u>50,049</u>
Operating grant revenues:				
Supplemental fire service act	4,226	4,226	3,257	(969)
Total operating grant revenue	<u>4,226</u>	<u>4,226</u>	<u>3,257</u>	<u>(969)</u>
Total revenues	<u>28,726</u>	<u>28,726</u>	<u>77,806</u>	<u>49,080</u>
Amount raised by taxation to support district budget	<u>1,417,240</u>	<u>1,417,240</u>	<u>1,417,240</u>	<u>-</u>
Total anticipated revenues	<u>1,445,966</u>	<u>1,445,966</u>	<u>1,495,046</u>	<u>49,080</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	20,000	20,000	20,000	-
Other expenditures:				
Professional fees	86,500	67,500	66,935	565
Elections	1,500	1,500	855	645
Office supplies and postage	10,500	9,500	5,982	3,518
Paying agent fees	4,300	4,300	-	4,300
Total administration	<u>122,800</u>	<u>102,800</u>	<u>93,772</u>	<u>9,028</u>
Cost of operations and maintenance:				
Salaries and wages	291,973	291,973	285,027	6,946
Fringe benefits	132,993	155,193	155,176	17
Other expenditures:				
Rental charges	65,000	65,000	60,645	4,355
Gear	20,000	20,000	17,421	2,579
Supplies	30,000	33,600	33,500	100
Insurance	95,000	102,800	101,723	1,077
SCBA	10,000	10,000	1,192	8,808
Emergency First Aid equipment	7,000	7,000	4,662	2,338
Advertising	2,000	2,000	415	1,585
Fire prevention	5,000	5,000	1,414	3,586
Training and education	24,000	19,000	15,548	3,452
Contingencies	2,000	2,000	-	2,000

EXHIBIT C-1  
(continued)

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON  
Budgetary Comparison Schedule  
For the year ended December 31, 2012

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Utilities	60,000	57,800	52,015	5,785
Maintenance and repairs	127,000	118,100	111,538	6,562
Firefighter expenses	10,000	14,500	14,059	441
Other non-bondable assets	84,999	136,094	91,724	44,370
Total cost of operations and maintenance	<u>966,965</u>	<u>1,040,060</u>	<u>946,059</u>	<u>94,001</u>
Operating appropriations offset with revenues:				
Salaries and wages	37,700	37,700	36,983	717
Fringe benefits	16,586	16,586	-	16,586
USFA supplies	8,000	4,000	3,860	140
Total operating appropriations offset with revenues	<u>62,286</u>	<u>58,286</u>	<u>40,843</u>	<u>17,443</u>
Length of service award program	40,000	42,000	41,468	532
Capital appropriations	<u>460,000</u>	<u>460,000</u>	<u>-</u>	<u>460,000</u>
Debt service for capital appropriations:				
Bond principal	71,000	71,000	71,000	-
Interest on bonds	7,915	7,915	7,915	-
Total debt service for capital appropriations	<u>78,915</u>	<u>78,915</u>	<u>78,915</u>	<u>-</u>
Total operating appropriations	<u>1,730,966</u>	<u>1,782,061</u>	<u>1,201,057</u>	<u>581,004</u>
Other financing sources and uses:				
Transfer of unrestricted funds from LOSAP	<u>-</u>	<u>-</u>	<u>57,955</u>	<u>57,955</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>57,955</u>	<u>57,955</u>
Excess (efficiency) of revenues over (under) expenditures	(285,000)	(336,095)	351,944	688,039
Fund balance, January 1	<u>1,124,009</u>	<u>1,124,009</u>	<u>1,124,009</u>	<u>-</u>
Fund balance, December 31	<u>\$ 839,009</u>	<u>\$ 787,914</u>	<u>\$ 1,475,953</u>	<u>\$ 688,039</u>

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, 2012. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

### GENERAL COMMENTS

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

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

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

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

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

#### **Contracts and Agreements Requiring Solicitation of Quotations**

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

### **Examination of Investments**

An examination of investments held by the District was conducted to ensure all certificate of deposit balances as stated on the general ledger were accurate.

### **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.

### **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*

February 14, 2013  
Toms River, New Jersey

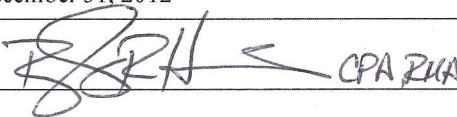
**APPENDIX B**

**AUDIT QUESTIONNAIRE FOR FIRE DISTRICT AUDITS**

Each question must be answered. Please circle Yes or No. If any are not applicable, insert N/A as your answer.

FIRE DISTRICT Jackson Township Board of Fire Commissioners District No. 4

YEAR UNDER AUDIT December 31, 2012

AUDITOR SIGNATURE  CPA RZA

AUDITOR FIRM Holman & Frenia, P.C.

AUDITOR ADDRESS 10 Allen Street, Suite 2B  
Toms River, New Jersey 08753

AUDITOR PHONE # (732) 797-1333

"NO" answers must be explained in detail. Attach additional sheets if more space is required. Answers to questions which indicate corrections or improvements are required must be covered by comment and recommendation in the audit report. If not covered, explain in detail.

AUDIT QUESTIONNAIRE

FIRE DISTRICT Jackson Township Board of Fire Commissioners District No. 4

---

General

- |    |   |                                      |   |
|----|---|--------------------------------------|---|
| 1. | Is a general ledger maintained by the district?   | <input checked="" type="radio"/> YES | <input type="radio"/> NO                                      |
| 2. | Are key employees bonded in amounts required by organization policy?                                      | <input checked="" type="radio"/> YES | <input type="radio"/> NO                                      |
| 3. | Is insurance coverage in force for at least the following:  | <input checked="" type="radio"/> YES | <input type="radio"/> NO                                      |
|    | Loss or damage to assets from fire and other hazards?   | <input checked="" type="radio"/> YES | <input type="radio"/> NO                                      |
|    | Public liability and property damage?   | <input checked="" type="radio"/> YES | <input type="radio"/> NO                                      |
|    | Robbery, burglary, theft and disappearance?   | <input checked="" type="radio"/> YES | <input type="radio"/> NO                                      |
|    | Worker's compensation?  | <input checked="" type="radio"/> YES | <input type="radio"/> NO                                      |
| 4. | Are loans to employees prohibited?  | <input checked="" type="radio"/> YES | <input type="radio"/> NO                                      |
| 5. | Has the Bureau of Authority Regulation been notified of deficiencies in the accounting system or records? | <input type="radio"/> YES            | <input type="radio"/> NO <input checked="" type="radio"/> N/A |
| 6. | Has a corrective action plan been filed for the previous year audit report?                               | <input type="radio"/> YES            | <input type="radio"/> NO <input checked="" type="radio"/> N/A |

Cash and Investments

- |    |   |                                      |                                     |
|----|---|--------------------------------------|-------------------------------------|
| 1. | Has the district adopted a cash management plan?  | <input checked="" type="radio"/> YES | <input type="radio"/> NO            |
| 2. | Are all depositories and accounts authorized by resolution of the governing body?                                     | <input checked="" type="radio"/> YES | <input type="radio"/> NO            |
| 3. | Are receipts deposited within 48 hours?   | <input checked="" type="radio"/> YES | <input type="radio"/> NO            |
| 4. | Are the duties of personnel who receive and deposit cash separate from investments, cash disbursing, and bookkeeping? | <input type="radio"/> YES            | <input checked="" type="radio"/> NO |
| 5. | Are cash receipts adequately safeguarded before deposit?  | <input checked="" type="radio"/> YES | <input type="radio"/> NO            |
| 6. | Is responsibility for the petty cash fund vested in only one person?  | <input checked="" type="radio"/> YES | <input type="radio"/> NO            |

- |     |   |                                      |   |
|-----|---|--------------------------------------|---|
| 7.  | Are petty cash disbursements supported by signed receipts which are attached to reimbursement vouchers? | <input checked="" type="radio"/> YES | NO                                      |
| 8.  | Are check signers designated by resolution?   | <input checked="" type="radio"/> YES | NO                                      |
| 9.  | If a mechanical check signer issued, is the signature plate under adequate control?                     | YES                                  | NO <input checked="" type="radio"/> N/A |
|     | Are there procedures to control and record the check numbers and amount of check signed?                | <input checked="" type="radio"/> YES | NO                                      |
| 10. | Is there adequate security over blank checks?   | <input checked="" type="radio"/> YES | NO                                      |
| 11. | Are the duties of personnel who disburse cash separate from the function of approving vouchers?         | <input checked="" type="radio"/> YES | NO                                      |
| 12. | Are bank statements reconciled monthly?   | <input checked="" type="radio"/> YES | NO                                      |
|     | Is the sequence of check numbers accounted for?   | <input checked="" type="radio"/> YES | NO                                      |
|     | Are check endorsements scrutinized?   | <input checked="" type="radio"/> YES | NO                                      |
| 13. | Are outstanding checks older than 6 months investigated?  | <input checked="" type="radio"/> YES | NO                                      |
| 14. | Are investments under the control of a responsible official who does not receive or disburse cash?      | YES                                  | NO <input checked="" type="radio"/> N/A |
| 15. | Are all investments issued in the name of the district?   | <input checked="" type="radio"/> YES | NO                                      |
| 16. | Are all investment transactions approved by the governing body?   | <input checked="" type="radio"/> YES | NO                                      |
| 17. | Are all investments permitted by law or bond agreement?   | <input checked="" type="radio"/> YES | NO                                      |
| 18. | Are perpetual records of investments reflecting all pertinent information maintained?                   | <input checked="" type="radio"/> YES | NO                                      |
| 19. | Is interest income verified?  | <input checked="" type="radio"/> YES | NO                                      |
|     | Is it promptly recorded in the accounting records?  | <input checked="" type="radio"/> YES | NO                                      |
| 20. | Are investments examined periodically and verified with the detail record and control account?          | YES                                  | NO <input checked="" type="radio"/> N/A |
| 21. | Are investments protected against loss or theft?  | YES                                  | NO <input checked="" type="radio"/> N/A |

Accounts Receivable and Income

*(District Taxes, User Charges and Miscellaneous)*

- |    |  |                                      |                                     |
|----|--|--------------------------------------|-------------------------------------|
| 1. | Has the district tax levy been verified with the Abstract of Ratables?   | <input checked="" type="radio"/> YES | NO                                  |
| 2. | Does the district tax revenue agree to the tax levy?   | <input checked="" type="radio"/> YES | NO                                  |
| 3. | Are billings to users independently verified?  | <input checked="" type="radio"/> YES | NO                                  |
| 4. | Is there segregation of duties between accounts receivable , record maintenance, billing, and receipt of cash? | YES                                  | <input checked="" type="radio"/> NO |
| 5. | Are total accounts receivable balances verified with the accounts receivable control periodically?             | <input checked="" type="radio"/> YES | NO                                  |
| 6. | Are delinquent accounts receivable reviewed and collection procedures initiated by a responsible official?     | <input checked="" type="radio"/> YES | NO                                  |
| 7. | Are accounts receivable records promptly posted?   | <input checked="" type="radio"/> YES | NO                                  |
|    | Billings to users?   | <input checked="" type="radio"/> YES | NO                                  |
|    | Cash receipts?   | <input checked="" type="radio"/> YES | NO                                  |
| 8. | Are adjustments to accounts receivable approved by a responsible official?                                     | <input checked="" type="radio"/> YES | NO                                  |

Inventory

- |    |   |                                      |    |
|----|---|--------------------------------------|----|
| 1. | Is the storage area properly safeguarded to prevent damage to materials and unauthorized removal? | <input checked="" type="radio"/> YES | NO |
| 2. | Do quantities appear reasonable for normal consumption?   | <input checked="" type="radio"/> YES | NO |
| 3. | Are physical inventories taken annually?  | <input checked="" type="radio"/> YES | NO |



Accounts Payable and Purchasing

- |    |  |                                  |                                  |
|----|--|----------------------------------|----------------------------------|
| 1. | Are the following requirements of the Local Public Contracts Law (40A:11) being followed and documented: | <input checked="" type="radio"/> | NO                               |
|    | Competitive bidding and contract award?  | <input checked="" type="radio"/> | NO                               |
|    | Informal quotations on purchases not requiring public bidding (40A:11-6.1)?                              | <input checked="" type="radio"/> | NO                               |
|    | Certificate of availability of funds prior to award of contracts (Reg.5:30-14.5)?                        | <input checked="" type="radio"/> | NO                               |
|    | Resolutions adopted and advertised authorizing agreements for professional services (40A:11-5)?          | <input checked="" type="radio"/> | NO                               |
|    | Emergency purchases and contracts (40A:11-6)?  | <input checked="" type="radio"/> | NO                               |
| 2. | Are prenumbered purchase orders issued for all purchases, except petty cash purchases?                   | <input checked="" type="radio"/> | NO                               |
| 3. | Is there a record of all purchase orders issued?   | <input checked="" type="radio"/> | NO                               |
| 4. | Are quantities and description of materials and supplies received:                                       | <input checked="" type="radio"/> | NO                               |
|    | Compared to purchase orders?   | <input checked="" type="radio"/> | NO                               |
|    | Compared to vendors' invoices?   | <input checked="" type="radio"/> | NO                               |
|    | Verified with packing or delivery slips?   | <input checked="" type="radio"/> | NO                               |
| 5. | Are open purchase orders reviewed periodically?  | <input checked="" type="radio"/> | NO                               |
| 6. | Do vouchers approved for payment contain:  | <input checked="" type="radio"/> | NO                               |
|    | Signature of person who verified quantities and description of materials received or services rendered?  | <input checked="" type="radio"/> | NO                               |
|    | Copies of purchase order, delivery slips, etc.?  | <input checked="" type="radio"/> | NO                               |
| 7. | Were all vouchers approved by the governing body?  | <input checked="" type="radio"/> | NO                               |
| 8. | Is there segregation of duties between the purchasing, receiving and cash disbursement functions?        | YES                              | <input checked="" type="radio"/> |
| 9. | Are total accounts payable balances verified with the accounts payable control periodically?             | YES                              | <input checked="" type="radio"/> |

Payroll

- |    |   |       |      |
|----|---|-------|------|
| 1. | Are the functions of payroll preparation and distribution separated?                                  | (YES) | NO   |
| 2. | Are names added to and deleted from payroll and rates of pay changed only upon written authorization? | (YES) | NO   |
| 3. | Are new employees, employee promotions and rates of pay approved by the governing body?               | (YES) | NO   |
| 4. | Are payroll deductions promptly paid to the proper agencies?  | (YES) | NO   |
| 5. | Are records maintained to control and verify vacation time, sick leave, etc., taken and accumulated?  | (YES) | NO   |
| 6. | Are all employees paid by check?  | (YES) | NO   |
| 7. | Is there a separate bank account for payroll disbursements?   | (YES) | NO   |
|    | Are deposits in exact amount of payroll?  | (YES) | NO   |
|    | Is the payroll bank balance reconciled monthly by someone independent of payroll preparation?         | YES   | (NO) |
|    | Are payroll procedures established by resolution of the governing body?                               | (YES) | NO   |

Property, Plant and Equipment

- |    |  |       |    |
|----|--|-------|----|
| 1. | Are detailed fixed asset records maintained?   | (YES) | NO |
|    | Are fixed assets properly identified with the fixed asset records?                             | (YES) | NO |
|    | Are additions and deletions properly authorized and promptly recorded?                         | (YES) | NO |
| 2. | Is the documentation substantiating the cost of fixed assets permanently filed?                | (YES) | NO |
| 3. | Is there a written policy defining items to be capitalized and those to be expensed?           | (YES) | NO |
| 4. | Does the capitalization of interest and other indirect costs conform to accounting principles? | (YES) | NO |
| 5. | Do fixed asset additions conform to the adopted or amended capital budget?                     | (YES) | NO |

- |    |   |       |    |
|----|---|-------|----|
| 6. | Are fixed assets carried on the accounting records at cost or, if acquired by gift, at fair market value at date of gift? | (YES) | NO |
| 7. | Is a physical inventory of fixed assets taken periodically and verified to fixed asset records?                           | (YES) | NO |
| 8. | Are dispositions of fixed assets properly recorded and sales proceeds promptly accounted for in the accounting records?   | (YES) | NO |
| 9. | Are fixed assets properly safeguarded against loss by fire, unauthorized use or theft?                                    | (YES) | NO |

Long and Short Term Debt

- |    |   |       |          |
|----|---|-------|----------|
| 1. | Is a detailed record such as a bond or note register maintained of debt issued and outstanding? | (YES) | NO       |
|    | Are principal and interest due dates and amounts reflected and date of payment recorded?        | (YES) | NO       |
| 2. | Are debt issues properly authorized by the governing body?                                      | (YES) | NO       |
| 3. | Does the expenditure of borrowed funds conform to the purposes authorized?                      | (YES) | NO       |
| 4. | Are paid bonds and notes properly cancelled and accounted for?                                  | (YES) | NO       |
| 5. | Are required sinking fund deposits promptly made?   | YES   | NO (N/A) |

Capital Leases

- |    |  |       |    |
|----|--|-------|----|
| 1. | Have all capital leases been approved by the voters?                                   | (YES) | NO |
| 2. | Has the project financing for capital leases been approved by the Local Finance Board? | (YES) | NO |

Budget System

- |    |   |                                      |    |
|----|---|--------------------------------------|----|
| 1. | Were the adopted operating and capital budgets and amendments there to approved by the Director of Local Government Services? | <input checked="" type="radio"/> YES | NO |
| 2. | Were the adopted budgets and amendments recorded in the minutes?  | <input checked="" type="radio"/> YES | NO |
| 3. | Are there sufficient controls to monitor expenses and revenues against budgeted amounts?                                      | <input checked="" type="radio"/> YES | NO |
| 4. | Is a budget status report periodically furnished to the governing body?   | <input checked="" type="radio"/> YES | NO |
| 5. | Are appropriations encumbered when purchase orders are issued?  | <input checked="" type="radio"/> YES | NO |
| 6. | Are fixed assets acquired through budget appropriations properly capitalized?   | <input checked="" type="radio"/> YES | NO |

Grant Management

- |    |   |     |   |
|----|---|-----|---|
| 1. | Is a permanent file of each grant maintained?   | YES | NO <input checked="" type="radio"/> N/A |
| 2. | Does the accounting system provide details of eligible expenditures to be reimbursed from each grant? | YES | NO <input checked="" type="radio"/> N/A |
| 3. | Is each expenditure reviewed for compliance with the terms of the applicable grant?                   | YES | NO <input checked="" type="radio"/> N/A |
| 4. | Are all required reports promptly filed with the grant or agency?                                     | YES | NO <input checked="" type="radio"/> N/A |
| 5. | Were grant reimbursement requests filed promptly?   | YES | NO <input checked="" type="radio"/> N/A |
| 6. | Are assets acquired from grant funds properly identified?   | YES | NO <input checked="" type="radio"/> N/A |
| 7. | If indirect costs are chargeable to grants, has the method of allocation been approved?               | YES | NO <input checked="" type="radio"/> N/A |

Electronic Data Processing

1. Does the district utilize Electronic Data Processing for accounting or financial functions?  YES NO  
*(If "no," disregard items 2 through 14).*
2. If "yes," was the system approved by the Division of Local Government Services?  YES NO
3. Are there sufficient audit trails to identify documents being processing and identify out put?  YES NO
4. Are master files updated periodically and on schedule prevent loss of data in transaction files?  YES NO
5. Are there periodic printouts of updated files by E.D.P. transactions?  YES NO
6. Are authorized users validated by user codes and passwords?  YES NO
7. Are terminals located in a secure area, to prevent access by unauthorized personnel?  YES NO
8. Are there copies of all critical materials such as programs, master files, transaction files, etc.?  YES NO
9. Are these copies stored in a safe location (off site or in a fire proof vault on site)?  YES NO
10. Are mechanisms in place to guard against loss due to power failures, fire, flood, etc.?  YES NO

**The foregoing Questionnaire must be separately filed with the Division of Local Government Services for each report of Audit. It is not to be bound in the report.**

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

As required by N.J.S.A. 40A:5A-15, the following is a synopsis of the audit of the financial statements and supplementary data for the year ended December 31, 2012

**Statement of Net Position  
December 31, 2012**

		<u>Governmental Activities</u>
Assets:		
Current assets:		
Cash	\$	751,108
Investments		878,980
Due from others		9,053
Interfund receivable		36,962
Prepaid expenses		16,627
Total current assets		<u>1,692,730</u>
Fixed assets (net of depreciation)		<u>2,033,031</u>
Total assets		<u>3,725,761</u>
Liabilities:		
Current liabilities:		
Accounts payable		40,524
Accrued professional fees		12,850
Accrued interest		1,598
Accrued payroll		6,269
Interfund payable		37,646
Bonds payable		74,000
Total current liabilities		<u>172,887</u>
Noncurrent liabilities:		
Bonds payable		75,000
Compensated absences		43,162
Total noncurrent liabilities		<u>118,162</u>
Total liabilities		<u>291,049</u>
Net position:		
Investment in general fixed assets, net of related debt		1,884,031
Restricted net position:		
Encumbrances		12,696
Capital		419,146
Designated for subsequent year's expenditures		50,000
Designated for subsequent year's expenditures - capital		480,000
Unreserved net position		588,839
Total net position	\$	<u><u>3,434,712</u></u>

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Statement of Activities**  
**For the year ended December 31, 2012**

	<u>Governmental Activities</u>
Government Activities:	
Operation appropriations:	
Administration	\$ 94,527
Costs of operations and maintenance	933,753
Interest expense	7,153
Length of service award program	41,468
Capital appropriations	<u>171,304</u>
Total government activities	<u>1,248,205</u>
General Revenues:	
Miscellaneous revenue	36,224
Operating grant revenues	3,257
Amount raised by taxation	1,417,240
Transfer from other funds	<u>57,955</u>
Total general revenues	<u>1,514,676</u>
Excess of revenues over expenditures	266,471
Net position, January 1	<u>3,168,241</u>
Net position, December 31	<u><u>\$ 3,434,712</u></u>

No recommendations were made for the year ended December 31, 2012.

The above synopsis was prepared from the report of the audit of the Fire District No. 4 of the Township of Jackson as of December 31, 2012.

This report of audit, submitted by Holman & Frenia, P.C., Certified Public Accountants, is on file at the office of the Fire District No. 4 of the Township of Jackson, 645A North County Line Road, Jackson, New Jersey and may be inspected by any interested person.

**Jackson Board of Fire Commissioners No. 4**  
**Answers to Audit Questionnaire**  
**For the year ending December 31, 2012**

Cash and Investments

4. There is no separation of duties because there is only one employee who performs administrative functions.

Accounts Receivable and Income

4. There is no separation of duties because there is only one employee who performs administrative functions.

Accounts Payable and Purchasing

8. There is no separation of duties because there is only one employee who performs administrative functions.
  
9. Accounts payable is not recorded and reconciled every month. It is only recorded and reconciled at December 31 of each year.

Payroll

7. There is no separation of duties because there is only one employee who performs administrative functions.