

**FIRE DISTRICT NO. 3
OF THE TOWNSHIP OF OLD BRIDGE**

Financial Statements

For the year ended December 31, 2012

(With Independent Auditors' Report thereon)

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INDEPENDENT AUDITORS' REPORT

Board of Fire Commissioners
Fire District No. 3 of the Township of Old Bridge:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 3 of the Township of Old Bridge, County of Middlesex, 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 Fire District No. 3 of the Township of Old Bridge, County of Middlesex, 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.

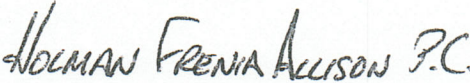
Other Matters

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 5-11 and 38-40 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 March 29, 2013 on our consideration of the Fire District No. 3 of the Township of Old Bridge'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 Fire District No. 3 of the Township of Old Bridge's internal control over financial reporting and compliance.


HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

March 29, 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
Fire District No. 3 of the Township of Old Bridge:

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 Fire District No. 3 of the Township of Old Bridge, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Fire District No. 3 of the Township of Old Bridge's basic financial statements, and have issued our report thereon dated March 29, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fire District No. 3 of the Township of Old Bridge's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fire District No. 3 of the Township of Old Bridge's internal control. Accordingly, we do not express an opinion on the effectiveness of Fire District No. 3 of the Township of Old Bridge's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments and recommendations section, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying comments and recommendations section as item 2012-03 to be a material weaknesses.

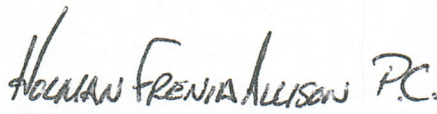
A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying comments and recommendation section as items 2012-01, 2012-02 and 2012-04 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fire District No. 3 of the Township of Old Bridge'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying comments and recommendations section as items 2012-01, 2012-02, 2012-03 and 2012-04.

Purpose of this Report

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


HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

March 29, 2013
Toms River, New Jersey

**TOWNSHIP OF OLD BRIDGE FIRE DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED**

The discussion and analysis of Township of Old Bridge Fire District No. 3's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999.

Financial Highlights

Key financial highlights for 2012 are as follows:

In total, net position increased \$289,333 from 2011.

General revenues accounted for \$1,472,801 or 87.72 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$206,253 or 12.28 percent of total revenues of \$1,679,054.

Total assets of governmental activities increased by \$202,779 as cash and cash equivalents increased by \$29,110, prepaid expenses increased \$2,039, and net capital assets increased by \$171,630.

The District had \$1,389,721 in expenses; only \$206,253 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$1,472,801 and fund balance were adequate to provide for these programs.

Among governmental funds, the General Fund had \$1,219,876 in revenues and \$1,176,371 in expenditures. The General Fund's fund balance increased \$43,505 over 2011.

Using this Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Township of Old Bridge Fire District No. 3 as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

District-Wide Financial Statements (Statement of Net Position and Statement of Activities)

These statements provide both short-term and long-term information about the District's overall financial status.

Fund Financial Statements

Fund financial statements focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.

- The governmental funds statements tell how basic services were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

**Figure A-1
Major Features of District-Wide and Fund Financial Statements**

	<u>District-wide Statements</u>	<u>Fund Financial Statements — Governmental Funds —</u>	<u>Fiduciary Funds</u>
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary	Instances in which the district administers resources on behalf of someone else
Required financial statements	<ul style="list-style-type: none"> •Statement of net assets •Statement of activities 	<ul style="list-style-type: none"> •Balance sheet •Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> •Statement of fiduciary net assets •Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of assets/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included	All assets and liabilities, both short-term, and long-term. The District's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions, during the year, regardless of when cash is received or paid

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. In the case of Township of Old Bridge Fire District No. 3, the General Fund is by far the most significant fund.

Reporting the District as a Whole Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District, as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in those assets. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include the District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required programs and other factors.

Reporting the District's Most Significant Funds Fund Financial Statements

Fund financial reports provide detailed information about the District's funds. The District uses many funds to account for a multitude of financial transaction. The District's governmental funds are the General Fund and Capital Projects Fund.

Governmental Funds

The District's activities are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services 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 programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements.

The District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole. Net position may serve over time as a useful indicator of a government's financial position. The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**Table A-1
Summary of Net Position**

	Governmental Activities		Percentage Change 2011-2012
	2012	2011	
Current and Other Assets	\$ 2,728,515	\$ 2,697,366	1.15%
Capital Assets	1,980,181	1,808,551	9.49%
Total Assets	\$ 4,708,696	\$ 4,505,917	4.50%
Long-Term Liabilities	\$ 5,406	\$ 2,141	152.50%
Other Liabilities	24,115	113,934	(78.83)%
Total Liabilities	\$ 29,521	\$ 116,075	(74.57)%
Net Assets:			
Invested in capital assets, net of related debt	\$ 1,980,181	\$ 1,727,934	14.60%
Restricted	1,715,724	1,783,586	(3.80)%
Unrestricted	983,270	878,322	11.95%
Total Net Assets	\$ 4,679,175	\$ 4,389,842	6.59%

**Table A-2
Summary of Changes in Net Position**

	Governmental Activities		Percentage Change 2011-2012
	2012	2011	
REVENUES:			
Program Revenues:			
Charges for Services	\$ 206,253	\$ 195,296	5.61%
General Revenues:			
Property Taxes	1,442,000	1,428,000	0.98%
State Formula Aid	9,486	9,486	0.00%
Other	21,315	14,510	46.90%
Total Revenues	\$ 1,679,054	\$ 1,647,292	1.93%
EXPENSES:			
Administration	\$ 221,818	\$ 203,465	9.02%
Cost of Operations and Maintenance	890,804	823,083	8.23%
Operating Appropriations Offset with Revenues	169,036	174,361	(3.05)%
Interest	-	3,561	(100.00)%
Length of Services Award Program	108,063	92,166	17.25%
Total Expenses	\$ 1,389,721	\$ 1,296,636	7.18%
Increase (Decrease) in Net Assets	\$ 289,333	\$ 350,656	(17.49)%

Governmental Activities

The unique nature of property taxes in New Jersey creates the legal requirements to annually seek voter approval for the District operations. Property taxes made up 85.88% of revenues for governmental activities for Township of Old Bridge Fire District No. 3 for 2012. The District's total revenues were \$1,679,054 for the year ended December 31, 2012. Charges for services accounted for 12.28% of revenue, state aid accounted for another 0.57% of revenue, other miscellaneous revenue accounted for the remaining 1.27%.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

**Table A-3
Cost of Services vs Net Cost of Services**

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Administration	\$ 221,818	\$ 221,818	\$ 203,465	\$ 203,465
Cost of Operations and Maintenance	890,804	684,551	823,083	627,787
Operating Appropriations Offset with Revenues	169,036	169,036	174,361	174,361
Interest	-	-	3,561	3,561
Length of Service Awards Program	108,063	108,063	92,166	92,166
Total Expenses	\$ 1,389,721	\$ 1,183,468	\$ 1,296,636	\$ 1,101,340

Administration includes expenses associated with administrative and financial supervision of the District.

Cost of Operations and Maintenance involve keeping equipment in an effective working condition.

The District's Funds

All governmental funds (i.e., general fund, capital projects fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$1,679,054, expenditures were \$1,644,303. The change in fund balance for the year in the general fund was an increase of \$43,505 and a decrease of \$8,754 in the capital projects fund.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the General Fund for the year ended December 31, 2012, and the amount of increases and decreases in relation to prior year revenues.

**Table A-4
Summary of Revenues-General Fund**

<u>Revenues:</u>	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease) from 2011</u>	<u>Percent of Increase (Decrease)</u>
Local Sources:				
Miscellaneous Revenue	\$ 21,315	\$ 14,510	\$ 6,805	46.90%
Revenues Offset with Appropriations	206,253	195,296	10,957	5.61%
Amount to be Raised by Taxation	982,822	968,823	13,999	1.44%
State Sources	9,486	9,486	-	0.00%
Total	\$ 1,219,876	\$ 1,188,115	\$ 31,761	2.67%

The following schedule presents a summary of General Fund expenditures for the year ended December 31, 2012 and the increases and decreases in relation to prior year amounts.

**Table A-5
Summary of Expenditures-General Fund**

<u>Expenditures:</u>	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease) from 2011</u>	<u>Percent of Increase (Decrease)</u>
Administration	\$ 218,553	\$ 203,351	\$ 15,202	7.48%
Cost of Operations and Maintenance	680,719	640,753	39,966	6.24%
Operating Appropriations Offset Revenues	169,036	174,361	(5,325)	(3.05)%
Length of Service Award Program	108,063	92,166	15,897	17.25%
Total	\$ 1,176,371	\$ 1,110,631	\$ 65,740	5.92%

Capital Assets

At the end of the year 2012, the District had \$4,655,584 invested in buildings, furniture and equipment, and vehicles. Table 6 shows 2012 balances compared to 2011.

**Table A-6
Summary of Capital Assets
(Net of Depreciation)**

	<u>2012</u>	<u>2011</u>	<u>from 2011</u>	<u>(Decrease)</u>
Construction in Progress	\$ -	\$ 150,000	\$ (150,000)	(100.00)%
Buildings and Building Improvements	304,026	328,382	(24,356)	(7.42)%
Vehicles	1,340,351	1,238,374	101,977	8.23%
Equipment	335,803	91,795	244,008	265.82%
Total	\$ 1,980,180	\$ 1,808,551	\$ 171,629	9.49%

For the Future

The Township of Old Bridge Fire District No. 3 is in good financial condition presently. The District is proud of its community support.

In conclusion, the Township of Old Bridge Fire District No. 3 has committed itself to financial excellence for many years. In addition, the District's system for financial planning, budgeting, and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Treasurer, at the Township of Old Bridge Fire District No. 3, 913 Englishtown Road, Old Bridge, NJ 08857.

Concluded

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Statement of Net Position
December 31, 2012
(With comparative totals for December 31, 2011)

	Governmental Activities	
	<u>2012</u>	<u>(Memorandum Only)</u> <u>2011</u>
Assets:		
Current assets:		
Cash	\$ 2,669,677	\$ 2,640,567
Prepaid expenses	58,838	56,799
Total current assets	<u>2,728,515</u>	<u>2,697,366</u>
Fixed assets (net of depreciation)	<u>1,980,180</u>	<u>1,808,551</u>
Total assets	<u>4,708,695</u>	<u>4,505,917</u>
Liabilities:		
Current liabilities:		
Accounts payable	15,675	25,583
Payroll deductions payable	2,183	3,911
Other payables	6,257	262
Accrued interest on capital lease	-	3,561
Capital lease payable	-	80,617
Total current liabilities	<u>24,115</u>	<u>113,934</u>
Non-current liabilities:		
Compensated absences	<u>5,406</u>	<u>2,141</u>
Total non-current liabilities	<u>5,406</u>	<u>2,141</u>
Total liabilities	<u>29,521</u>	<u>116,075</u>
Net position:		
Investments in capital assets	1,980,180	1,727,934
Restricted net position:		
Encumbrances	22,986	465,838
Capital	1,460,738	860,737
Designated for subsequent year's expenditures - general	232,000	232,011
Designated for subsequent year's expenditures - capital	-	225,000
Unreserved	<u>983,270</u>	<u>878,322</u>
Total net position	<u>\$ 4,679,174</u>	<u>\$ 4,389,842</u>

The accompanying notes to the financial statements are an integral part of this statement.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
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	\$ 221,818	\$ -	\$ 221,818	\$ 203,465
Costs of operations and maintenance	890,805	206,253	684,552	627,787
Operating appropriations offset with revenues	169,036	-	169,036	174,361
Interest	-	-	-	3,561
Length of service award contribution	108,063	-	108,063	92,166
	<hr/>	<hr/>	<hr/>	<hr/>
Total government activities	1,389,722	206,253	1,183,469	1,101,340
	<hr/>	<hr/>	<hr/>	<hr/>
General revenues:				
Miscellaneous revenue			21,315	14,510
Operating grant revenues			9,486	9,486
Amount raised by taxation			1,442,000	1,428,000
			<hr/>	<hr/>
Total general revenues			1,472,801	1,451,996
			<hr/>	<hr/>
Change in net position			289,332	350,656
Net position, January 1			4,389,842	4,048,669
Prior period adjustment			-	(9,483)
			<hr/>	<hr/>
Net position, January 1 (restated)			4,389,842	4,039,186
Net position, December 31			<hr/> <u>\$ 4,679,174</u>	<hr/> <u>\$ 4,389,842</u>

The accompanying notes to the financial statements are an integral part of this statement.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Governmental Funds
Balance Sheet
December 31, 2012
(With comparative totals for December 31, 2011)

				Totals	
<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>	
Assets:					
Current assets:					
Cash	\$ 1,002,501	\$ 1,667,176	\$ -	\$ 2,669,677	\$ 2,640,567
Interfund receivable	200,181	-	-	200,181	196,381
Total assets	1,202,682	1,667,176	-	2,869,858	2,836,948
Liabilities, equity and other credits:					
Accounts payable	15,675	-	-	15,675	25,583
Payroll deductions payable	2,183	-	-	2,183	3,911
Interfund payable	-	206,438	-	206,438	196,643
Total liabilities	17,858	206,438	-	224,296	226,137
Fund balances:					
Restricted for:					
Capital	-	1,460,738	-	1,460,738	860,737
Subsequent year's expenditures - capital	-	-	-	-	225,000
Committed for:					
Other purposes	-	-	-	-	383,755
Assigned for:					
Subsequent year's expenditures	232,000	-	-	232,000	232,011
Other purposes	22,986	-	-	22,986	82,083
Unassigned, reported in:					
General fund	929,838	-	-	929,838	827,225
Total fund balance	1,184,824	1,460,738	-	2,645,562	2,610,811
Total liabilities and fund balance	\$ 1,202,682	\$ 1,667,176	\$ -		
 Amounts reported for governmental activities in the statement of net position (A-1) are different because:					
Prepaid insurance is reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is expensed over the term of the policy as insurance expense.				58,838	56,799
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$4,655,585 and the accumulated depreciation is \$2,675,404.				1,980,180	1,808,551
Accrued interest not recorded in current financial statements.				-	(3,561)
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.				(5,406)	(82,758)
				\$ 4,679,174	\$ 4,389,842

The accompanying notes to the financial statements are an integral part of this statement.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2012
(With comparative totals for the year ended December 31, 2011)

	General Fund	Capital Projects Fund	Debt Service Fund	Totals	
				December 31, 2012	(Memorandum Only) December 31, 2011
Revenues:					
Miscellaneous anticipated revenue:					
Investment income	\$ 4,896	\$ -	\$ -	\$ 4,896	\$ 9,820
Other revenue	16,419	-	-	16,419	4,690
Total miscellaneous revenues	21,315	-	-	21,315	14,510
Operating grant revenues:					
Supplemental fire service act	9,486	-	-	9,486	9,486
Total operating grant revenue	9,486	-	-	9,486	9,486
Miscellaneous revenues offset with appropriations:					
Uniform fire safety act revenues:					
Annual registration fee	25,443	-	-	25,443	25,703
Penalties and fines	28,939	-	-	28,939	21,718
Other revenues	151,871	-	-	151,871	147,875
Total uniform fire safety act revenues	206,253	-	-	206,253	195,296
Total miscellaneous revenues offset with appropriations	206,253	-	-	206,253	195,296
Total revenues	237,054	-	-	237,054	219,292
Amount raised by taxation to support district budget	982,822	375,000	84,178	1,442,000	1,428,000
Total anticipated revenues	1,219,876	375,000	84,178	1,679,054	1,647,292
Expenditures:					
Operating appropriations:					
Administration:					
Salaries and wages	81,997	-	-	81,997	80,974
Fringe benefits	47,539	-	-	47,539	49,713
Other expenditures:					
Professional fees	34,061	-	-	34,061	27,858
Elections	1,742	-	-	1,742	3,253
Utilities	9,612	-	-	9,612	11,403
Office supplies	43,602	-	-	43,602	30,150
Total administration	218,553	-	-	218,553	203,351
Cost of operations and maintenance:					
Other expenditures:					
Rental charges	119,155	-	-	119,155	119,155
Insurance	99,033	-	-	99,033	90,811
Advertising	7,775	-	-	7,775	3,485
Training and education	19,870	-	-	19,870	18,410
Uniforms	22,733	-	-	22,733	3,560
Maintenance and repairs	118,313	-	-	118,313	154,531
Fire protection services	167,138	-	-	167,138	167,138
Other non-bondable assets	126,702	-	-	126,702	83,663
Total cost of operations and maintenance	680,719	-	-	680,719	640,753

The accompanying notes to the financial statements are an integral part of this statement.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
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>	Totals (Memorandum Only)	
				<u>December 31, 2012</u>	<u>December 31, 2011</u>
Operating appropriations offset with revenues:					
Salaries and wages	88,290	-	-	88,290	85,008
Fringe benefits	59,230	-	-	59,230	59,063
Other expenditures	21,516	-	-	21,516	30,290
Total operating appropriations offset with revenues	169,036	-	-	169,036	174,361
Length of service award program	108,063	-	-	108,063	92,166
Total operating appropriations	1,176,371	-	-	1,176,371	1,110,631
Capital expenditures:					
Vehicles	-	106,454	-	106,454	150,000
Equipment	-	277,300	-	277,300	-
Total capital expenditures	-	383,754	-	383,754	150,000
Debt service for capital appropriations:					
Capital leases	-	-	80,617	80,617	77,207
Interest on capital leases	-	-	3,561	3,561	6,970
Total debt service for capital appropriations	-	-	84,178	84,178	84,177
Total governmental expenditures	1,176,371	383,754	84,178	1,644,303	1,344,808
Excess of revenues over expenditures	43,505	(8,754)	-	34,751	302,484
Fund balance, January 1	1,141,319	1,469,492	-	2,610,811	2,317,810
Prior period adjustment		-	-	-	(9,483)
Fund balance, January 1 (restated)	1,141,319	1,469,492	-	2,610,811	2,308,327
Fund balance, December 31	<u>\$ 1,184,824</u>	<u>\$ 1,460,738</u>	<u>\$ -</u>	<u>\$ 2,645,562</u>	<u>\$ 2,610,811</u>

The accompanying notes to the financial statements are an integral part of this statement.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
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)	\$	34,751
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-Capital Project Fund	383,754	
Capital Outlays-General Fund	65,753	
Depreciation Expense	<u>(277,878)</u>	171,629
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.		
		80,617
Accrual of interest on capital leases and bonds is not an expenditure in the governmental funds, but the adjustment is charged to expense and is reported in the statement of activities.		
Prior year	3,561	
Current year	<u>-</u>	3,561
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	(56,799)	
Current year	<u>58,838</u>	2,039
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 \$3,265.		
		<u>(3,265)</u>
Changes in net position of governmental activities	\$	<u><u>289,332</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
 Fiduciary Funds
 Statement of Fiduciary Net Position
 December 31, 2012
 (With comparative totals for December 31, 2011)

	Length of Service Award Program	Unemployment Compensation	Totals	
			December 31, 2012	(Memorandum Only) December 31, 2011
Assets:				
Cash	\$ -	\$ 54,013	\$ 54,013	\$ 53,930
Investments	711,810	-	711,810	594,080
Other receivables	-	6,257	6,257	262
Total assets	<u>711,810</u>	<u>60,270</u>	<u>772,080</u>	<u>648,272</u>
Net position:				
Reserved:				
For unemployment claims	-	60,270	60,270	54,192
For Length of Service Award Program	711,810	-	711,810	594,080
Total net position	<u>\$ 711,810</u>	<u>\$ 60,270</u>	<u>\$ 772,080</u>	<u>\$ 648,272</u>

The accompanying notes to the financial statements are an integral part of this statement.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the year ended December 31, 2012
(With comparative totals for the year ended December 31, 2011)

	Length of Service Award Program	Unemployment Compensation	Totals	
			December 31, 2012	(Memorandum Only) December 31, 2011
Revenues and other financing sources:				
Employee contributions	\$ -	\$ 266	\$ 266	\$ 262
District contributions	108,063	5,729	113,792	97,887
Rollover and other contributions	2,133	-	2,133	14,869
Total contributions	110,196	5,995	116,191	113,018
Investment earnings:				
Interest	22,307	83	22,390	20,534
Total investment earnings	22,307	83	22,390	20,534
Total revenues and other financing sources	132,503	6,078	138,581	133,552
Expenditures:				
Withdrawals and administrative fees	14,773	-	14,773	53,822
Total expenditures	14,773	-	14,773	53,822
Excess of revenues and other financing sources over expenditures	117,730	6,078	123,808	79,730
Net position, January 1	594,080	54,192	648,272	568,542
Net position, December 31	711,810	60,270	772,080	\$ 648,272

The accompanying notes to the financial statements are an integral part of this statement.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements
For the year ended December 31, 2012

NOTE 1: GENERAL INFORMATION

A. Description of Reporting Entity

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

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

Fire District No. 3 of the Township of Old Bridge 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>
Chester T. Hammel	2015
Martin F. Ruane	2013
Bertus A. Shelters, IV	2013
Kenneth A. Totten	2015
Kenneth R. Totten	2014

C. Accounting Records

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

D. Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

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.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
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)

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 \$22,986 in the general fund.

F. Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds and cash in banks. All certificates of deposit are recorded as cash regardless of the date of maturity. 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. 3 OF THE TOWNSHIP OF OLD BRIDGE
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 may be accumulated up to one week with prior approval from the Board of Commissioners and unused sick leave may be accumulated up to a maximum of 280 days. 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 unmatured 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. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2012

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 fire 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 above schedule.

C. Investment Credit Risk

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

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2012

NOTE 4: INVESTMENTS (continued)

C. Investment Credit Risk (continued)

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>
LOSAP			<u>\$ 711,810</u>

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.

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.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2012

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

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: FIXED ASSETS

N.J.S.A. 40A: 14-84 governs the procedures for the acquisition of property and equipment for the 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.

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:				
Capital assets that are not being depreciated:				
Construction in progress	\$ 150,000	\$ -	\$(150,000)	\$ -
Total capital assets not being depreciated	<u>150,000</u>	<u>-</u>	<u>(150,000)</u>	<u>-</u>
Buildings and improvements	566,355	-	-	566,355
Vehicles	3,225,529	310,678	-	3,536,207
Equipment	<u>264,192</u>	<u>288,830</u>	<u>-</u>	<u>553,022</u>
Totals at historical cost	<u>4,056,076</u>	<u>599,508</u>	<u>-</u>	<u>4,655,584</u>

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2012

NOTE 6: FIXED ASSETS (continued)

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Less: accumulated depreciation				
Buildings and improvements	(237,973)	(24,356)	-	(262,329)
Vehicles	(1,987,155)	(208,701)	-	(2,195,856)
Equipment	<u>(172,397)</u>	<u>(44,822)</u>	<u>-</u>	<u>(217,219)</u>
 Total accumulated depreciation	 <u>(2,397,525)</u>	 <u>(277,879)</u>	 <u>-</u>	 <u>(2,675,404)</u>
 Government activities capital assets, net	 <u>\$ 1,808,551</u>	 <u>\$ 321,629</u>	 <u>\$(150,000)</u>	 <u>\$ 1,980,180</u>

NOTE 7: NONCURRENT LIABILITIES

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

	<u>Balance</u> <u>12/31/11</u>	<u>Accrued/</u> <u>increases</u>	<u>Retired/</u> <u>decreases</u>	<u>Balance</u> <u>12/31/12</u>	<u>Due within</u> <u>one year</u>
Capital leases	\$ 80,617	\$ -	\$ 80,617	\$ -	\$ -
Compensated absences	<u>2,141</u>	<u>3,265</u>	<u>-</u>	<u>5,406</u>	<u>-</u>
Total	<u>\$ 82,758</u>	<u>\$ 3,265</u>	<u>\$ 80,617</u>	<u>\$ 5,406</u>	<u>\$ -</u>

NOTE 8: VESTED EMPLOYEE BENEFITS

In accordance with GASB-16 and NCGA-1 (Governmental Accounting and Financial Reporting Principles), the portion of estimated future payments for compensated absences that will use current expendable resources is reported as a current fund liability in the governmental activities fund and the balance of the liability is reported as non-current liability in the governmental activities fund. For the year ended December 31, 2012, the District did not have a current liability for compensated absences. The amounts included in the long-term liabilities consists of the following:

	<u>2012</u>
Total Compensated Absences	\$ 5,406

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2012

NOTE 9: PENSION

A. Plan Description

Fire District No. 3 of the Township of Old Bridge contributes to a cost-sharing multiple-employer defined benefit pension plan, Public Employees' Retirement System (P.E.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*. The plan was 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.

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 9C 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,

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2012

NOTE 9: PENSION (continued)

C. Significant Legislation

providing excess valuation assets are available. The legislation also provided that the District's normal contributions to the Fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits; accordingly, the pension costs for PERS were reduced.

New Legislation signed by the Acting Governor (Chapter 133, Public Laws 2001) changed the formula for calculating retirement benefits for all current and future non-veteran retirees from N/60 to N/55 (a 9.09% increase). This legislation, signed June 29, 2001, provides that all members of the 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.

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 both cost-of-living adjustments, noncontributory death benefits and post-retirement medical premiums.

NOTE 10: DEFERRED COMPENSATION PLAN

The Township of Old Bridge Fire District No. 3 Deferred Compensation Plan was established pursuant to section 457 of the Internal Revenue Code and in accordance with Applicable New Jersey Statutes and the New Jersey Administrative Code *N.J.A.C. 5:37*. The plan is an arrangement whereby a public employer may establish a plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more of the types of investments permitted under governing regulations. The plan is offered by the District through the program administrators the Variable Annuity Life Insurance Company.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2012

NOTE 10: DEFERRED COMPENSATION PLAN (continued)

All monies deferred and any other assets or income of the plan funds held in trust, or one or more annuity contracts or one or more custodial accounts are for the exclusive benefit of the participating employees and their beneficiaries.

NOTE 11: LENGTH OF SERVICE AWARDS PROGRAM

The Fire District's Length of Service Awards Program (LOSAP) provides tax deferred income benefits to active volunteer firefighters. The plan is intended to comply with Section 457(e)(11)(A)(ii) of the Internal Service Code of 1986, as amended.

The District has a contractual obligation to pay the LOSAP benefits to eligible members. Assets that are designated to pay the LOSAP benefits are available to the unsecured creditors of the District. As such, the assets and liabilities of the LOSAP are included in the financial statements of the District as an agency fund.

The assets of the plan are invested in a fixed-income Group Annuity Contract with Hartford Life Insurance Company under which Hartford pools funds invested for various Length of Service Awards Program customers along with funds in The Hartford's general account. Interest income is provided at an average rate of return of approximately 3.75% for 2012 and there is a guaranteed minimum return of 3%.

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	\$ 200,181	\$ -
Capital	-	206,438
Unemployment compensation	<u>6,257</u>	<u>-</u>
Total	<u>\$ 206,438</u>	<u>\$ 206,438</u>

The purpose of these interfunds are for short-term borrowing.

NOTE 13: FUNDING

The activities of the Board of Commissioners 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. 3 was approximately \$.084 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 \$9,486.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2012

NOTE 14: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

A. Property and Liability Insurance

The District maintains commercial insurance coverage for property, liability and surety bonds. Insurance coverage was maintained in amounts consistent with prior years. The District did not have any claims that exceeded coverage.

B. New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and prior two years:

<u>Fiscal Year</u>	<u>Interest Earned</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
12/31/12	\$ 83	\$ 5,729	\$ 266	\$ -	\$ 60,270
12/31/11	97	5,721	262	-	54,192
12/31/10	89	5,708	279	-	48,112

NOTE 15: POST-RETIREMENT BENEFITS

The District participates in the New Jersey State Health Benefits Program ("the SHBP"), which qualifies as a cost-sharing, multiple-employer plan in accordance with GASB Statement 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions" ("OPEB"). The SHBP is administered by the State of New Jersey, Department of Treasury, Division of Pensions and Benefits.

Under the SHBP, retirees may continue the health benefits programs in which they are enrolled at the time of retirement, provided the retiree pays the costs of the benefits (at group rates) for themselves and their eligible dependents.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the SHBP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The SHBP is established under the District of N.J.S.A. 52:14-17.25 et seq. and regulations adopted by the State Health Benefits Commission. The required contribution rate is determined on an annual pay as you go basis.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2012

NOTE 16: 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.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by external parties, constitutional provision or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Business Administrator.
- Unassigned – includes balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

General Fund – Of the \$1,184,824 General Fund fund balance at December 31, 2012, \$232,000 has been assigned to be designated for subsequent year's expenditures; \$22,986 is assigned for other purposes; and \$929,838 is unassigned.

Capital Projects Fund – Of the \$1,460,738 Capital Projects Fund fund balance at December 31, 2012, the entire amount is restricted for Capital.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available, unless prohibited by law or regulation.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
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:				
Investment income	\$ 10,000	\$ 10,000	4,896	(5,104)
Other revenue	-	-	16,419	16,419
Total miscellaneous revenues	<u>10,000</u>	<u>10,000</u>	<u>21,315</u>	<u>11,315</u>
Operating grant revenues:				
Supplemental fire service act	9,000	9,000	9,486	486
Total operating grant revenue	<u>9,000</u>	<u>9,000</u>	<u>9,486</u>	<u>486</u>
Miscellaneous revenues offset with appropriations:				
Uniform fire safety act revenues:				
Annual registration fee	61,223	61,223	25,443	(35,780)
Penalties and fines	2,500	2,500	28,939	26,439
Other revenues	60,000	60,000	151,871	91,871
Total uniform fire safety act revenues	<u>123,723</u>	<u>123,723</u>	<u>206,253</u>	<u>82,530</u>
Total miscellaneous revenues offset with appropriations	<u>123,723</u>	<u>123,723</u>	<u>206,253</u>	<u>82,530</u>
Total revenues	<u>142,723</u>	<u>142,723</u>	<u>237,054</u>	<u>94,331</u>
Amount raised by taxation to support district budget	<u>1,442,000</u>	<u>1,442,000</u>	<u>1,442,000</u>	<u>-</u>
Total anticipated revenues	<u>1,584,723</u>	<u>1,584,723</u>	<u>1,679,054</u>	<u>94,331</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	88,252	88,252	81,997	6,255
Fringe benefits	67,055	67,055	47,539	19,516
Other expenditures:				
Professional fees	30,000	34,400	34,061	339
Elections	7,000	7,000	1,742	5,258
Utilities	16,000	17,060	9,612	7,448
Office supplies	55,000	51,673	43,602	8,071
Total administration	<u>263,307</u>	<u>265,440</u>	<u>218,553</u>	<u>46,887</u>

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
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>
Cost of operations and maintenance:				
Other expenditures:				
Rental charges	119,115	120,811	119,155	1,656
Insurance	150,000	136,937	99,033	37,904
Advertising	9,000	9,000	7,775	1,225
Training and education	33,150	33,150	19,870	13,280
Uniforms	36,735	40,283	22,733	17,550
Maintenance and repairs	160,000	160,703	118,313	42,390
Fire protection services	167,138	167,138	167,138	-
Contingencies	100	100	-	100
Other non-bondable assets	98,700	172,703	126,702	46,001
Total cost of operations and maintenance	<u>773,938</u>	<u>840,825</u>	<u>680,719</u>	<u>160,106</u>
Operating appropriations offset with revenues:				
Salaries and wages	110,655	110,655	88,290	22,365
Fringe benefits	67,255	67,255	59,230	8,025
Other expenditures	47,400	47,400	21,516	25,884
Total operating appropriations offset with revenues	<u>225,310</u>	<u>225,310</u>	<u>169,036</u>	<u>56,274</u>
Length of service award program	95,000	108,063	108,063	-
Capital appropriations	<u>600,000</u>	<u>983,755</u>	<u>383,754</u>	<u>600,001</u>
Debt service for capital appropriations:				
Capital leases	80,617	80,617	80,617	-
Interest on capital leases	3,562	3,562	3,561	1
Total debt service for capital appropriations	<u>84,179</u>	<u>84,179</u>	<u>84,178</u>	<u>1</u>
Total operating appropriations	<u>2,041,734</u>	<u>2,507,572</u>	<u>1,644,303</u>	<u>863,269</u>
Excess (efficiency) of revenues over (under) expenditures	(457,011)	(922,849)	34,751	957,600
Fund balance, January 1	<u>2,610,811</u>	<u>2,610,811</u>	<u>2,610,811</u>	<u>-</u>
Fund balance, December 31	<u><u>2,153,800</u></u>	<u><u>1,687,962</u></u>	<u><u>2,645,562</u></u>	<u><u>957,600</u></u>

Board of Fire Commissioners
Fire District No. 3 of the Township of Old Bridge
Old Bridge, New Jersey

We have audited the basic financial statements of the Fire District No. 3 of the Township of Old Bridge, County of Middlesex, 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 \$17,500, 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 \$2,625 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

Examination of Bills

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

***Finding 2012-01:**

N.J.S.A. 40A11-6.1 states that all contracts that, in aggregate, are less than the bid threshold but 15 percent or more of that amount must retain at least two competitive quotations. The District did not obtain competitive quotations for three (3) contracts over the quote threshold of \$2,625.

Recommendation:

The District must comply with N.J.S.A. 40A11-6.1 and obtain at least two quotations for aggregate purchases over the quote threshold of \$2,625.

Management's Response:

This will be corrected in 2013.

Finding 2012-02:

N.J.A.C. 40A5:30-11.9 states that the total number of change orders executed for a particular contract shall not cause the originally awarded contract price to be exceeded by more than 20 percent. The District issued three (3) change orders for a bid that increased the contract by 26%.

Recommendation:

The District must comply with N.J.A.C. 40A5:30-11.9 and refrain from issuing change orders that increase the contract by more than 20%.

Management's Response:

This will be corrected in 2013.

Finding 2012-03:

The District did not maintain accurate records for accounts payable and encumbrances at year end.

Recommendation:

The District must maintain accurate records of accounts payable and encumbrances at year end.

Management's Response:

This will be corrected in 2013.

Property, Plant & Equipment

During our review of the District's fixed assets, we noted the following:

***Finding 2012-04:**

The District does not maintain a complete and accurate fixed asset listing in accordance with N.J.A.C. 5:30-5.6 and calculate depreciation according to generally accepted accounting principles.

Recommendation:

The District must properly maintain a complete and accurate fixed asset listing.

Management's Response:

This will be corrected in 2013.

Follow-up on Prior Years' Findings

In accordance with *Government Auditing Standards* we have included a review of prior year findings. The previous year's audit findings have been corrected with the exception of the finding above marked with an asterisk (*).

Acknowledgment

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

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

Should you have any questions, please contact us.


HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

March 29, 2013
Toms River, New Jersey