

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

Financial Statements

For the year ended December 31, 2013

(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, 2013, 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.

Auditors' 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 auditors' 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, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 35-36 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 Matters

The comparative totals for December 31, 2012 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2014 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

April 29, 2014
Toms River, New Jersey



**INDEPENDENT AUDITORS' 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 Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities of each major fund 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, 2013, 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 April 29, 2014.

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 general comments and recommendations, we identified certain deficiencies in internal control that we consider to be 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. 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.

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 deficiency described in the general comments and recommendations to be a significant deficiency as finding 2013-01.

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 audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs State of New Jersey and which are described in the comments and recommendations as items 2013-01 and 2013-02.

Fire District No. 3 of the Township of Old Bridge's Response to Findings

Fire District No. 3 of the Township of Old Bridge's response to the findings identified in our audit is described in the accompanying comments and recommendation section. Fire District No. 3 of the Township of Old Bridge's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

April 29, 2014
Toms River, New Jersey

**TOWNSHIP OF OLD BRIDGE FIRE DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
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, 2013. 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 2013 are as follows:

In total, net assets increased \$505,503 from 2012.

General revenues accounted for \$1,493,675 or 88.56 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$193,004 or 11.44 percent of total revenues of \$1,686,679.

Total assets of governmental activities increased by \$517,981 as cash and cash equivalents increased by \$96,688, prepaid expenses decreased \$4,669, and net capital assets increased by \$425,962.

The District had \$1,329,040 in expenses; only \$193,004 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$1,493,675 and fund balance were adequate to provide for these programs.

Among governmental funds, the General Fund had \$1,250,855 in revenues and \$1,126,644 in expenditures. The General Fund's fund balance increased \$124,211 over 2012.

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 Assets 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**

	District-wide Statements	Fund Financial Statements Governmental Funds	Fiduciary Funds
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 Assets 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 Assets 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 2013?" The Statement of Net Assets 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 assets and changes in those assets. This change in net assets 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 Assets 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 Assets provides the perspective of the District as a whole. Net assets 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 Assets**

	Governmental Activities		Percentage Change 2012-2013
	2013	2012	
Current and Other Assets	\$ 2,820,534	\$ 2,728,515	3.37%
Capital Assets	2,406,142	1,980,180	21.51%
Total Assets	\$ 5,226,676	\$ 4,708,695	11.00%
Long-Term Liabilities	\$ 8,258	\$ 5,406	52.76%
Other Liabilities	33,741	24,115	39.92%
Total Liabilities	\$ 41,999	\$ 29,521	42.27%
Net Assets:			
Invested in capital assets, net of related debt	\$ 2,406,142	\$ 1,980,180	21.51%
Restricted	1,703,008	1,715,724	(.74)%
Unrestricted	1,075,527	983,270	9.38%
Total Net Assets	\$ 5,184,677	\$ 4,679,174	10.80%

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

	Governmental Activities		Percentage Change 2012-2013
	2013	2012	
REVENUES:			
Program Revenues:			
Charges for Services	\$ 193,004	\$ 206,253	(6.42)%
General Revenues:			
Property Taxes	1,442,000	1,442,000	0.00%
State Formula Aid	9,486	9,486	0.00%
Other	42,189	21,315	97.93%
Total Revenues	\$ 1,686,679	\$ 1,679,054	.45%
EXPENSES:			
Administration	\$ 187,613	\$ 221,818	(15.42)%
Cost of Operations and Maintenance	835,661	890,804	(6.19)%
Operating Appropriations Offset with Revenues	199,097	169,036	17.78%
Length of Services Award Program	106,669	108,063	(1.29)%
Total Expenses	\$ 1,329,040	\$ 1,389,721	(4.37)%
Increase (Decrease) in Net Assets	\$ 357,639	\$ 289,333	23.61%

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 85.50% of revenues for governmental activities for Township of Old Bridge Fire District No. 3 for 2013. The District's total revenues were \$1,686,679 for the year ended December 31, 2013. Charges for services accounted for 11.44% of revenue, state aid accounted for another 0.56% of revenue, other miscellaneous revenue accounted for the remaining 2.50%.

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 <u>2013</u>	Net Cost of Services <u>2013</u>	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>
Administration	\$ 187,613	\$ 187,613	\$ 221,818	\$ 221,818
Cost of Operations and Maintenance	835,661	642,657	890,804	684,551
Operating Appropriations Offset with Revenues	199,097	199,097	169,036	169,036
Interest	-	-	-	-
Length of Service Awards Program	106,669	106,669	108,063	108,063
Total Expenses	\$ 1,329,040	\$ 1,136,036	\$ 1,389,721	\$ 1,183,468

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 \$1,686,679, expenditures were \$1,599,617. The change in fund balance for the year in the general fund was an increase of \$124,211 and a decrease of \$37,149 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, 2013, 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>2013</u>	<u>2012</u>	<u>Increase (Decrease) from 2012</u>	<u>Percent of Increase (Decrease)</u>
Local Sources:				
Miscellaneous Revenue	\$ 41,365	\$ 21,315	\$ 20,050	94.07%
Revenues Offset with Appropriations	193,004	206,253	(13,249)	-6.42%
Amount to be Raised by Taxation	1,007,000	982,822	24,178	2.46%
State Sources	9,486	9,486	-	0.00%
Total	\$ 1,250,855	\$ 1,219,876	\$ 30,979	2.54%

The following schedule presents a summary of General Fund expenditures for the year ended December 31, 2013 and the increases and decreases in relation to prior year amounts.

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

<u>Expenditures:</u>	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease) from 2012</u>	<u>Percent of Increase (Decrease)</u>
Administration	\$ 184,761	\$ 218,553	\$ (33,792)	(15.46)%
Cost of Operations and Maintenance	636,117	680,719	(44,602)	(6.55)%
Operating Appropriations Offset Revenues	199,097	169,036	30,061	17.78%
Length of Service Award Program	106,669	108,063	(1,394)	(1.29)%
Total	\$ 1,126,644	\$ 1,176,371	\$ (49,727)	(4.23)%

Capital Assets

At the end of the year 2013, the District had \$5,161,691 invested in buildings, furniture and equipment, and vehicles. Table 6 shows 2013 balances compared to 2012.

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

	Governmental Activities		Increase (Decrease) from 2012	Percent of Increase (Decrease)
	<u>2013</u>	<u>2012</u>		
Apparatus in Progress	\$ 462,573	\$ -	\$ 462,573	100.00%
Buildings and Building Improvements	279,670	304,026	(24,356)	(8.01)%
Vehicles	1,300,582	1,340,351	(39,769)	(2.97)%
Equipment	363,317	335,803	27,514	8.19%
Total	\$ 2,406,142	\$ 1,980,180	\$ 425,962	21.51%

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.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Statement of Net Position
December 31, 2013
(With comparative totals for December 31, 2012)

	Governmental Activities	
	<u>2013</u>	(Memorandum Only) <u>2012</u>
Assets:		
Current assets:		
Cash	\$ 2,766,365	\$ 2,669,677
Prepaid expenses	54,169	58,838
Total current assets	<u>2,820,534</u>	<u>2,728,515</u>
Fixed assets (net of depreciation)	<u>2,406,142</u>	<u>1,980,180</u>
Total assets	<u>5,226,676</u>	<u>4,708,695</u>
Liabilities:		
Current liabilities:		
Accounts payable	22,476	15,675
Payroll deductions payable	4,777	2,183
Other payables	6,488	6,257
Total current liabilities	<u>33,741</u>	<u>24,115</u>
Non-current liabilities:		
Compensated absences	<u>8,258</u>	<u>5,406</u>
Total non-current liabilities	<u>8,258</u>	<u>5,406</u>
Total liabilities	<u>41,999</u>	<u>29,521</u>
Net position:		
Investments in capital assets	2,406,142	1,980,180
Restricted net position:		
Other purposes	48,019	22,986
Capital	1,410,252	1,460,738
Designated for subsequent year's expenditures - general	244,737	232,000
Unreserved	<u>1,075,527</u>	<u>983,270</u>
Total net position	<u>\$ 5,184,677</u>	<u>\$ 4,679,174</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, 2013
(With comparative totals for the year ended December 31, 2012)

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities</u>	
			<u>2013</u>	<u>(Memorandum Only) 2012</u>
Government activities:				
Operation appropriations:				
Administration	\$ 187,613	\$ -	\$ 187,613	\$ 221,818
Costs of operations and maintenance	835,661	193,004	642,657	684,552
Operating appropriations offset with revenues	199,097	-	199,097	169,036
Length of service award contribution	106,669	-	106,669	108,063
	<u>1,329,040</u>	<u>193,004</u>	<u>1,136,036</u>	<u>1,183,469</u>
General revenues:				
Miscellaneous revenue			42,189	21,315
Operating grant revenues			9,486	9,486
Amount raised by taxation			1,442,000	1,442,000
			<u>1,493,675</u>	<u>1,472,801</u>
Change in net position			357,639	289,332
Net position, January 1			4,679,174	4,389,842
Prior period adjustment (See Note 16)			147,864	-
Net position, January 1 (restated)			4,827,038	4,389,842
Net position, December 31			<u>\$ 5,184,677</u>	<u>\$ 4,679,174</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
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2013
(With comparative totals for the year ended December 31, 2012)

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>	
			<u>December 31, 2013</u>	<u>(Memorandum Only) December 31, 2012</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 3,580	\$ 824	\$ 4,404	\$ 4,896
Other revenue	37,785	-	37,785	16,419
Total miscellaneous revenues	41,365	824	42,189	21,315
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	27,153	-	27,153	25,443
Penalties and fines	17,351	-	17,351	28,939
Other revenues	148,500	-	148,500	151,871
Total uniform fire safety act revenues	193,004	-	193,004	206,253
Total miscellaneous revenues offset with appropriations	193,004	-	193,004	206,253
Total revenues	243,855	824	244,679	237,054
Amount raised by taxation to support district budget	1,007,000	435,000	1,442,000	1,442,000
Total anticipated revenues	1,250,855	435,824	1,686,679	1,679,054
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	73,673	-	73,673	81,997
Fringe benefits	47,798	-	47,798	47,539
Other expenditures:				
Professional fees	27,918	-	27,918	34,061
Elections	3,552	-	3,552	1,742
Utilities	7,683	-	7,683	9,612
Office supplies	24,137	-	24,137	43,602
Total administration	184,761	-	184,761	218,553
Cost of operations and maintenance:				
Other expenditures:				
Rental charges	120,346	-	120,346	119,155
Insurance	127,171	-	127,171	99,033
Advertising	3,710	-	3,710	7,775
Training and education	21,734	-	21,734	19,870
Uniforms	7,003	-	7,003	22,733
Maintenance and repairs	130,475	-	130,475	118,313
Fire protection services	168,809	-	168,809	167,138
Other non-bondable assets	56,827	-	56,827	126,702
Total cost of operations and maintenance	636,117	-	636,117	680,719

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, 2013
(With comparative totals for the year ended December 31, 2012)

	Totals			
	General Fund	Capital Projects Fund	(Memorandum Only)	
			December 31, 2013	December 31, 2012
Operating appropriations offset with revenues:				
Salaries and wages	103,322	-	103,322	88,290
Fringe benefits	62,548	-	62,548	59,230
Other expenditures	33,227	-	33,227	21,516
Total operating appropriations offset with revenues	<u>199,097</u>	<u>-</u>	<u>199,097</u>	<u>169,036</u>
Length of service award program	106,669	-	106,669	108,063
Total operating appropriations	<u>1,126,644</u>	<u>-</u>	<u>1,126,644</u>	<u>1,176,371</u>
Capital expenditures:				
Vehicles	-	472,973	472,973	106,454
Equipment	-	-	-	277,300
Total capital expenditures	<u>-</u>	<u>472,973</u>	<u>472,973</u>	<u>383,754</u>
Debt service for capital appropriations:				
Capital leases	-	-	-	80,617
Interest on capital leases	-	-	-	3,561
Total debt service for capital appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,178</u>
Total governmental expenditures	<u>1,126,644</u>	<u>472,973</u>	<u>1,599,617</u>	<u>1,644,303</u>
Excess of revenues over expenditures	124,211	(37,149)	87,062	34,751
Fund balance, January 1	<u>1,184,824</u>	<u>1,460,738</u>	<u>2,645,562</u>	<u>2,610,811</u>
Fund balance, December 31	<u>\$ 1,309,035</u>	<u>\$ 1,423,589</u>	<u>\$ 2,732,624</u>	<u>\$ 2,645,562</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, 2013

Total net changes in Fund Balance-Governmental Funds (B-2)	\$	87,062
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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	472,973	
Capital Outlays-General Fund	21,634	
Depreciation Expense	<u>(216,509)</u>	
		278,098

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.

	Prior year	(58,838)	
	Current year	<u>54,169</u>	
			(4,669)

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 \$2,852.

Changes in net position of governmental activities	\$	<u><u>357,639</u></u>
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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, 2013
(With comparative totals for December 31, 2012)

	<u>Length of Service Award Program</u>	<u>Unemployment Compensation</u>	<u>Totals</u>	
			<u>December 31, 2013</u>	<u>(Memorandum Only) December 31, 2012</u>
Assets:				
Cash	\$ -	\$ 60,063	\$ 60,063	\$ 54,013
Investments	700,185	-	700,185	609,329
Other receivables	96,424	6,488	102,912	98,511
Total assets	<u>796,609</u>	<u>66,551</u>	<u>863,160</u>	<u>761,853</u>
Net position:				
Reserved:				
For unemployment claims	-	66,551	66,551	60,270
For Length of Service Award Program	796,609	-	796,609	701,583
Total net position	<u>\$ 796,609</u>	<u>\$ 66,551</u>	<u>\$ 863,160</u>	<u>\$ 761,853</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, 2013
(With comparative totals for the year ended December 31, 2012)

	Length of Service Award Program	Unemployment Compensation	Totals	
			December 31, 2013	(Memorandum Only) December 31, 2012
Revenues and other financing sources:				
Employee contributions	\$ -	\$ 431	\$ 431	\$ 266
District contributions	106,669	6,057	112,726	113,792
Rollover and other contributions	2,208	-	2,208	2,133
Total contributions	108,877	6,488	115,365	116,191
Investment earnings:				
Interest	24,470	59	24,529	22,390
Total investment earnings	24,470	59	24,529	22,390
Total revenues and other financing sources	133,347	6,547	139,894	138,581
Expenditures:				
Withdrawals and administrative fees	38,321	266	38,587	25,000
Total expenditures	38,321	266	38,587	25,000
Excess of revenues and other financing sources over expenditures	95,026	6,281	101,307	113,581
Net position, January 1	701,583	60,270	761,853	648,272
Net position, December 31	796,609	66,551	863,160	\$ 761,853

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, 2013

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, 2013:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
Chester T. Hammel	2015
Martin F. Ruane	2016
Bertus A. Shelters, IV	2016
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, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (continued)

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 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.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

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.

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. GASB Statement No. 65 reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

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 hearing on the budget and must advertise the time and place at least ten days prior to the hearing in

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets and Budgetary Accounting (continued)

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 encumbrances at December 31, 2013 totaled \$34,682 in the general fund and \$13,337 in the capital projects 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, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash and Cash Equivalents (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 they 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 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. Prepaid Expenses

Prepaid expenses that benefit future periods are recorded as an expenditure 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:

Buildings and Improvements	10 to 25 years
Equipment	5 to 20 years
Vehicles	5 to 25 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. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2013

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, 2013

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. Comparative Totals

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position. This information has not been subjected to the audit procedures applied in the audit of the basic financial statements and has been marked as memorandum only.

R. Subsequent Events

The District has evaluated subsequent events through April 29, 2014, the date the financial statements were available to be issued.

NOTE 3: CASH

The Fire District is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2013, and reported at fair value are as follows:

Deposits:

Demand deposits	<u>\$ 2,826,428</u>
Total deposits	<u>\$ 2,826,428</u>

Reconciliation to Governmental Fund Statements:

Governmental Funds	\$ 2,766,365
Fiduciary Funds	<u>60,063</u>
Total	<u>\$ 2,826,428</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, 2013, the District's bank balance of \$2,863,638 was insured or collateralized as follows:

Insured	\$ 250,000
Collateralized in the District's name under GUDPA	<u>2,613,638</u>
Total	<u>\$ 2,863,638</u>

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2013

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.

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, 2013

NOTE 4: INVESTMENTS (continued)

C. Investment Credit Risk (continued)

As of December 31, 2013, the Fire District had the following investments:

<u>Investment</u>	<u>Fair Value</u>
LOSAP	<u>\$ 700,185</u>

NOTE 5: 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, 2013:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets that are not being depreciated:				
Apparatus in progress	\$ -	\$ 462,573	\$ -	\$ 462,573
Total capital assets not being depreciated	-	462,573	-	462,573
Buildings and improvements	566,355	-	-	566,355
Vehicles	3,536,207	-	-	3,536,207
Equipment	553,022	32,034	11,500	596,556
Totals at historical cost	<u>4,655,584</u>	<u>32,034</u>	<u>11,500</u>	<u>4,699,118</u>
Less: accumulated depreciation				
Buildings and improvements	(262,329)	(24,356)	-	(286,685)
Vehicles	(2,195,856)	(134,703)	94,934	(2,235,625)
Equipment	(217,219)	(57,450)	41,430	(233,239)
Total accumulated depreciation	<u>(2,675,404)</u>	<u>(216,509)</u>	<u>136,364</u>	<u>(2,755,549)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>1,980,180</u>	<u>(184,475)</u>	<u>147,864</u>	<u>1,943,569</u>
Government activities capital assets, net	<u>\$ 1,980,180</u>	<u>\$ 278,098</u>	<u>\$ 147,864</u>	<u>\$ 2,406,142</u>

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2013

NOTE 6: NONCURRENT LIABILITIES

During the fiscal year ended December 31, 2013 the following changes occurred in liabilities reported in long-term debt:

	<u>Balance</u> <u>12/31/12</u>	<u>Accrued/</u> <u>increases</u>	<u>Retired/</u> <u>decreases</u>	<u>Balance</u> <u>12/31/13</u>	<u>Due within</u> <u>one year</u>
Compensated absences	\$ 5,406	\$ 2,852	\$ -	\$ 8,258	\$ -
Total	<u>\$ 5,406</u>	<u>\$ 2,852</u>	<u>\$ -</u>	<u>\$ 8,258</u>	<u>\$ -</u>

NOTE 7: VESTED EMPLOYEE BENEFITS

In accordance with GASB-16 and NCGA-1 (Governmental Accounting and Financial Reporting Principles), the portion of estimated future payments for compensated absences that will use current expendable resources is reported as a current fund liability in the governmental activities fund and the balance of the liability is reported as non-current liability in the governmental activities fund. For the year ended December 31, 2013, the District did not have a current liability for compensated absences. The amounts included in the long-term liabilities consists of the following:

2013

Total Compensated Absences	\$ 8,258
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NOTE 8: 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).

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2013

NOTE 8: PENSION (continued)

B. Vesting and Benefit Provisions (continued)

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, 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.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2013

NOTE 8: PENSION (continued)

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.

<u>Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Non-Cont. Life</u>	<u>Total Liability</u>	<u>Paid by Fire District</u>
2013	4,856	11,610	980	17,446	17,446
2012	4,847	9,694	926	15,467	15,467
2011	6,732	10,726	1,326	18,784	18,784

NOTE 9: 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.

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 10: 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.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2013

NOTE 10: LENGTH OF SERVICE AWARDS PROGRAM (continued)

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 2013 and there is a guaranteed minimum return of 3%.

NOTE 11: INTERFUND RECEIVABLE/PAYABLE

As of December 31, 2013, the following interfund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 197,836	\$ -
Capital	-	204,324
Unemployment compensation	<u>6,488</u>	<u>-</u>
Total	<u>\$ 204,324</u>	<u>\$ 204,324</u>

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

NOTE 12: 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, 2013, 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.

NOTE 13: 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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2013

NOTE 13: RISK MANAGEMENT (continued)

B. New Jersey Unemployment Compensation Insurance (continued)

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>
12/31/13	\$ 59	\$ 6,057	\$ 431	\$ 266	\$ 66,551
12/31/12	83	5,729	266	-	60,270
12/31/11	97	5,721	262	-	54,192

NOTE 14: 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.

NOTE 15: 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.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2013

NOTE 15: GASB #54 FUND BALANCE DISCLOSURE (continued)

- 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 \$1,309,035 General Fund fund balance at December 31, 2013, \$244,737 has been assigned to be designated for subsequent year's expenditures; \$34,682 is assigned for other purposes; and \$1,029,616 is unassigned.

Capital Projects Fund – Of the \$1,423,589 Capital Projects Fund fund balance at December 31, 2013, \$13,337 has been committed for other purposes and \$1,410,252 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.

NOTE 16: PRIOR PERIOD ADJUSTMENT

In 2013, it was determined that the District's records as of December 31, 2012 were not recorded in accordance with *N.J.A.C. 5:31-7-1*. The District did not record equipment in progress purchases, understating fixed assets in the amount of \$11,500. Additionally, the District overstated accumulated depreciation by \$136,364. The District corrected this with an adjustment to the prior year's net position in the amount of \$147,864.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Budgetary Comparison Schedule
For the year ended December 31, 2013

	<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	4,404	(5,596)
Other revenue	-	-	37,785	37,785
Total miscellaneous revenues	<u>10,000</u>	<u>10,000</u>	<u>42,189</u>	<u>32,189</u>
Operating grant revenues:				
Supplemental fire service act	<u>9,000</u>	<u>9,000</u>	<u>9,486</u>	<u>486</u>
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	27,153	(34,070)
Penalties and fines	2,500	2,500	17,351	14,851
Other revenues	<u>60,000</u>	<u>60,000</u>	<u>148,500</u>	<u>88,500</u>
Total uniform fire safety act revenues	<u>123,723</u>	<u>123,723</u>	<u>193,004</u>	<u>69,281</u>
Total miscellaneous revenues offset with appropriations	<u>123,723</u>	<u>123,723</u>	<u>193,004</u>	<u>69,281</u>
Total revenues	<u>142,723</u>	<u>142,723</u>	<u>244,679</u>	<u>101,956</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>1,686,679</u>	<u>101,956</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	89,813	89,813	73,673	16,140
Fringe benefits	67,113	71,313	47,798	23,515
Other expenditures:				
Professional fees	30,000	31,000	27,918	3,082
Elections	7,000	7,000	3,552	3,448
Utilities	16,000	16,000	7,683	8,317
Office supplies	<u>55,000</u>	<u>54,879</u>	<u>24,137</u>	<u>30,742</u>
Total administration	<u>264,926</u>	<u>270,005</u>	<u>184,761</u>	<u>85,244</u>

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Budgetary Comparison Schedule
For the year ended December 31, 2013

	<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	120,346	120,346	120,346	-
Insurance	150,000	150,000	127,171	22,829
Advertising	9,000	9,000	3,710	5,290
Training and education	33,150	33,150	21,734	11,416
Uniforms	36,735	36,735	7,003	29,732
Maintenance and repairs	165,500	159,300	130,475	28,825
Fire protection services	168,809	168,809	168,809	-
Contingencies	100	100	42	58
Other non-bondable assets	98,700	98,700	56,827	41,873
Total cost of operations and maintenance	<u>782,340</u>	<u>776,140</u>	<u>636,117</u>	<u>140,023</u>
Operating appropriations offset with revenues:				
Salaries and wages	112,273	112,273	103,322	8,951
Fringe benefits	67,284	67,284	62,548	4,736
Other expenditures	49,900	61,607	33,227	28,380
Total operating appropriations offset with revenues	<u>229,457</u>	<u>241,164</u>	<u>199,097</u>	<u>42,067</u>
Length of service award program	105,000	107,000	106,669	331
Capital appropriations	435,000	445,400	472,973	(27,573)
Total operating appropriations	<u>1,816,723</u>	<u>1,839,709</u>	<u>1,599,617</u>	<u>240,092</u>
Excess (efficiency) of revenues over (under) expenditures	(232,000)	(254,986)	87,062	342,048
Fund balance, January 1	<u>2,645,562</u>	<u>2,645,562</u>	<u>2,645,562</u>	-
Fund balance, December 31	<u>\$ 2,413,562</u>	<u>\$ 2,390,576</u>	<u>\$ 2,732,624</u>	<u>\$ 342,048</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, 2013. 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.

Property, Plant & Equipment

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

***Finding 2013-01:**

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 2014.

Finding 2013-02:

N.J.S.A. 40A:14-70.2 states that the District must maintain either an internet website or a webpage on the municipality's website. The webpage must contain three consecutive fiscal years budgets, annual audits and meeting minutes. During our review of the District's website, it was noted that the aforementioned items were not available.

Recommendation:

The District must comply with N.J.A.C. 40A:14-70.2 and have a webpage that contains three consecutive fiscal years budgets, annual audits and meeting minutes.

Management's Response:

This will be corrected in 2014.

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 audit, 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

April 29, 2014
Toms River, New Jersey