

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

**Financial Statements**

**For the year ended December 31, 2009**

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Financial Statements**  
**For the year ended December 31, 2009**  
**(With Independent Auditors' Report thereon)**

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit Of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	3-4
Management's Discussion & Analysis	5-11
District Wide Statement of Net Assets	12
District Wide Statement of Activities	13
Governmental Funds Balance Sheet	14
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance	15-16
Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	17
Fiduciary Funds Statement of Net Assets	18
Fiduciary Funds Statement of Changes in Fiduciary Net Assets	19
Notes to Financial Statements	20-34
Budgetary Comparison Schedule	35-36
General Comments and Recommendations	37-38



Certified Public Accountants & Consultants

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities of each major fund, of 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, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fire District No. 3 of the Township of Old Bridge's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of each major fund of Fire District No. 3 of the Township of Old Bridge, County of Middlesex, State of New Jersey, as of December 31, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 09, 2010, on our consideration of Fire District No. 3 of the Township of Old Bridge's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

### MEDFORD OFFICE

618 Stokes Road • Medford, New Jersey 08055  
Tel: 609.953.0612 • Fax: 609.953.8443

[www.holmanfrenia.com](http://www.holmanfrenia.com)

### TOMS RIVER OFFICE

10 Allen Street, Suite 2B • Toms River, NJ 08753  
Tel: 732.797.1333 • Fax: 732.797.1022

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



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

April 09, 2010  
Toms River, New Jersey





Certified Public Accountants & Consultants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of 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, 2009, which collectively comprise the Fire District No. 3 of the Township of Old Bridge's basic financial statements and have issued our report thereon dated April 09, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Fire District No. 3 of the Township of Old Bridge's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fire District No. 3 of the Township of Old Bridge's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fire District No. 3 of the Township of Old Bridge's internal control over financial reporting.

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

A *significant deficiency* is a difference or a combination of differences in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in the accompanying comments and recommendations to be significant deficiencies listed as 2009-01 and 2009-02.

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

**MEDFORD OFFICE**

618 Stokes Road • Medford, New Jersey 08055  
Tel: 609.953.0612 • Fax: 609.953.8443

[www.holmanfrenia.com](http://www.holmanfrenia.com)

**TOMS RIVER OFFICE**

10 Allen Street, Suite 2B • Toms River, NJ 08753  
Tel: 732.797.1333 • Fax: 732.797.1022

### **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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

This report is intended solely for the information of Fire District No. 3 of the Township of Old Bridge's management and respective state agencies and is not intended to be and should not be used by anyone other than these specified parties.

*HOLMAN & FRENIA, P.C.*

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

April 09, 2010  
Toms River, New Jersey

**TOWNSHIP OF OLD BRIDGE FIRE DISTRICT NO. 3  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
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, 2009. 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 2009 are as follows:

In total, net assets increased \$307,720 from 2008.

General revenues accounted for \$1,464,259 or 89.29 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$175,572 or 10.71 percent of total revenues of \$1,639,831.

Total assets of governmental activities increased by \$222,917 as cash and cash equivalents increased by \$328,113, prepaid expenses decreased \$1,881, net capital assets decreased by \$103,315.

The District had \$1,332,111 in expenses; only \$175,572 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$1,464,259 and fund balance were adequate to provide for these programs.

Among governmental funds, the General Fund had \$1,330,653 in revenues and \$1,155,627 in expenditures. The General Fund's fund balance increased \$175,026 over 2008.

**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	•Statement of net assets •Statement of activities	•Balance sheet •Statement of revenues, expenditures, and changes in fund balances	•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 2009?" 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 2008-2009
	2009	2008	
Current and Other Assets	\$ 1,981,648	\$ 1,655,416	19.71%
Capital Assets	1,916,290	2,019,605	(5.12)%
<b>Total Assets</b>	<b>\$ 3,897,938</b>	<b>\$ 3,675,021</b>	<b>6.07%</b>
Long-Term Liabilities	\$ 159,839	\$ 239,610	(33.29)%
Other Liabilities	92,363	97,395	(5.17)%
<b>Total Liabilities</b>	<b>\$ 252,202</b>	<b>\$ 337,005</b>	<b>(25.16)%</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	\$ 1,684,526	\$ 1,717,028	(1.89)%
Restricted	939,157	1,009,372	(6.96)%
Unrestricted	1,022,053	611,616	67.11%
<b>Total Net Assets</b>	<b>\$ 3,645,736</b>	<b>\$ 3,338,016</b>	<b>9.22%</b>

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

	Governmental Activities		Percentage Change 2008-2009
	2009	2008	
<b>REVENUES:</b>			
Program Revenues:			
Charges for Services	\$ 175,572	\$ 142,168	23.50%
General Revenues:			
Property Taxes	1,431,500	1,409,475	1.56%
State Formula Aid	12,361	12,361	-
Other	20,398	51,076	(60.01)%
<b>Total Revenues</b>	<b>\$ 1,639,831</b>	<b>\$ 1,615,080</b>	<b>1.53%</b>
<b>EXPENSES:</b>			
Administration	\$ 192,105	\$ 211,165	(9.03)%
Cost of Operations and Maintenance	817,204	842,559	(3.00)%
Operating Appropriations Offset with Revenues	213,250	215,324	(0.96)%
Interest	10,237	16,718	(38.77)%
Length of Services Award Program	99,315	68,010	46.03%
<b>Total Expenses</b>	<b>\$ 1,332,111</b>	<b>\$ 1,353,776</b>	<b>(16.00)%</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 307,720</b>	<b>\$ 261,304</b>	<b>17.76%</b>

## 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 87.30% of revenues for governmental activities for Township of Old Bridge Fire District No. 3 for 2009. The District's total revenues were \$1,639,831 for the year ended December 31, 2009. Charges for services accounted for 10.71% of revenue, state aid accounted for another 0.75% of revenue, other miscellaneous revenue accounted for the remaining 1.24%.

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 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Administration	\$ 192,105	\$ 192,105	\$ 211,165	\$ 211,165
Cost of Operations and Maintenance	817,204	641,632	842,559	700,391
Operating Appropriations Offset with Revenues	213,250	213,250	215,324	215,324
Interest	10,237	10,237	16,718	16,718
Length of Service Awards Program	99,315	99,315	68,010	68,010
Total Expenses	\$ 1,332,111	\$ 1,156,539	\$ 1,353,776	\$ 1,211,608

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 \$1,639,831 and expenditures were \$1,306,687. The change in fund balance for the year in the general fund was an increase of \$175,026 and an increase of \$158,118 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, 2009, 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>2009</u>	<u>2008</u>	<u>Increase (Decrease) from 2008</u>	<u>Percent of Increase (Decrease)</u>
Local Sources:				
Miscellaneous Revenue	\$ 20,398	\$ 51,076	\$ (30,678)	(60.06)%
Revenues Offset with Appropriations	175,572	142,168	33,404	23.50%
Amount to be Raised by Taxation	1,122,322	1,100,296	22,026	2.00%
State Sources	12,361	12,361	-	-
<b>Total</b>	<b>\$ 1,330,653</b>	<b>\$ 1,305,901</b>	<b>\$ 24,752</b>	<b>1.90%</b>

The following schedule presents a summary of General Fund expenditures for the year ended December 31, 2009 and the increases and decreases in relation to prior year amounts.

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

<u>Expenditures:</u>	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease) from 2008</u>	<u>Percent of Increase (Decrease)</u>
Administration	\$ 197,936	\$ 216,580	\$ (18,644)	(8.61)%
Cost of Operations and Maintenance	645,126	647,985	(2,859)	(0.44)%
Operating Appropriations Offset Revenues	213,250	215,324	(2,074)	(9.63)%
Length of Service Award Program	99,315	68,010	31,305	46.03%
<b>Total</b>	<b>\$ 1,155,627</b>	<b>\$ 1,147,899</b>	<b>\$ 7,728</b>	<b>.67%</b>

**Capital Assets**

At the end of the year 2009, the District had \$3,897,637 invested in buildings, furniture and equipment, and vehicles. Table 6 shows 2009 balances compared to 2008.

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

	Governmental Activities		Increase (Decrease) from 2008	Percent of Increase (Decrease)
	<u>2009</u>	<u>2008</u>		
Buildings and Building Improvements	\$ 347,320	\$ 368,840	\$ (21,520)	(5.84)%
Vehicles	1,563,322	1,640,610	(77,288)	(4.72)%
Equipment	5,648	10,155	(4,507)	(44.38)%
<b>Total</b>	<b>\$ 1,916,290</b>	<b>\$ 2,019,605</b>	<b>\$ (103,315)</b>	<b>(5.12)%</b>



### **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 Assets**  
**December 31, 2009**  
(With comparative totals for December 31, 2008)

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>(Memorandum Only)</u> <u>2008</u>
Assets:		
Current assets:		
Cash	\$ 1,918,076	\$ 1,589,963
Prepaid insurance	51,211	53,092
Grant receivable	12,361	12,361
Total current assets	<u>1,981,648</u>	<u>1,655,416</u>
Fixed assets (net of depreciation)	<u>1,916,290</u>	<u>2,019,605</u>
Total assets	<u>3,897,938</u>	<u>3,675,021</u>
Liabilities:		
Current liabilities:		
Accounts payable	5,704	9,850
Payroll deductions payable	2,207	3,095
Interfund payable	276	273
Accrued interest on capital lease	10,236	13,364
Capital lease payable	73,940	70,813
Total current liabilities	<u>92,363</u>	<u>97,395</u>
Non-current liabilities:		
Compensated absences	2,015	7,846
Capital lease payable	157,824	231,764
Total non-current liabilities	<u>159,839</u>	<u>239,610</u>
Total liabilities	<u>252,202</u>	<u>337,005</u>
Net assets:		
Investments in capital assets	1,684,526	1,717,028
Restricted net assets:		
Encumbrances	20,719	75,792
Capital	818,438	833,580
Designated for subsequent year's expenditures	100,000	100,000
Unreserved	1,022,053	611,616
Total net assets	<u>\$ 3,645,736</u>	<u>\$ 3,338,016</u>

See accompanying notes to financial statements.

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Statement of Activities**  
**For the year ended December 31, 2009**  
**(With comparative totals for the year ended December 31, 2008)**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities</u>	
			<u>2009</u>	<u>(Memorandum Only) 2008</u>
Government activities:				
Operation appropriations:				
Administration	\$ 192,105	\$ -	\$ 192,105	\$ 211,165
Costs of operations and maintenance	817,204	175,572	641,632	700,391
Operating appropriations offset with revenues	213,250	-	213,250	215,324
Interest	10,237	-	10,237	16,718
Length of service award contribution	99,315	-	99,315	68,010
	<hr/>	<hr/>	<hr/>	<hr/>
Total government activities	1,332,111	175,572	1,156,539	1,211,608
General revenues:				
Miscellaneous revenue			20,398	51,076
Operating grant revenues			12,361	12,361
Amount raised by taxation			1,431,500	1,409,475
			<hr/>	<hr/>
Total general revenues			1,464,259	1,472,912
Excess of revenues over expenditures			307,720	261,304
Net assets, January 1			3,338,016	3,089,973
Prior period adjustment			-	(13,261)
			<hr/>	<hr/>
Net assets, January 1 (restated)			3,338,016	3,076,712
Net assets, December 31			<hr/> <u>\$ 3,645,736</u>	<hr/> <u>\$ 3,338,016</u>

See accompanying notes to financial statements.

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2009**  
(With comparative totals for December 31, 2008)

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<b>Totals (Memorandum Only)</b>	
				<b>December 31, 2009</b>	<b>December 31, 2008</b>
<b>Assets:</b>					
<b>Current assets:</b>					
Cash	\$ 892,924	\$ 1,025,152	\$ -	\$ 1,918,076	\$ 1,589,963
Grant receivable	12,361	-	-	12,361	12,361
Interfund receivable	11,714	-	-	11,714	30,132
<b>Total assets</b>	<b>916,999</b>	<b>1,025,152</b>	<b>-</b>	<b>1,942,151</b>	<b>1,632,456</b>
<b>Liabilities, equity and other credits:</b>					
Accounts payable	5,704	-	-	5,704	9,850
Payroll deductions payable	2,207	-	-	2,207	3,095
Interfund payable	276	11,714	-	11,990	30,405
<b>Total liabilities</b>	<b>8,187</b>	<b>11,714</b>	<b>-</b>	<b>19,901</b>	<b>43,350</b>
<b>Fund balances:</b>					
<b>Reserved:</b>					
For encumbrances	20,719	-	-	20,719	75,792
For subsequent year's expenditures	100,000	195,000	-	295,000	100,000
<b>Total reserved</b>	<b>120,719</b>	<b>195,000</b>	<b>-</b>	<b>315,719</b>	<b>175,792</b>
Unreserved	788,093	818,438	-	1,606,531	1,413,314
<b>Total fund balance</b>	<b>908,812</b>	<b>1,013,438</b>	<b>-</b>	<b>1,922,250</b>	<b>1,589,106</b>
<b>Total liabilities and fund balance</b>	<b>\$ 916,999</b>	<b>\$ 1,025,152</b>	<b>\$ -</b>		

Amounts reported for governmental activities in the statement of net assets (A-1) are different because:

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

51,211                      53,092

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$3,897,637 and the accumulated depreciation is \$1,981,347.

1,916,290                      2,019,605

Accrued interest not recorded in current financial statements.

(10,236)                      (13,364)

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.

(233,779)                      (310,423)

\$ 3,645,736                      \$ 3,338,016



**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, 2009**  
**(With comparative totals for the year ended December 31, 2008)**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals (Memorandum Only)</u>	
				<u>December 31, 2009</u>	<u>December 31, 2008</u>
<b>Revenues:</b>					
Miscellaneous anticipated revenue:					
Investment income	\$ 17,895	\$ -	\$ -	\$ 17,895	\$ 28,256
Other revenue	2,503	-	-	2,503	22,820
Total miscellaneous revenues	<u>20,398</u>	<u>-</u>	<u>-</u>	<u>20,398</u>	<u>51,076</u>
Operating grant revenues:					
Supplemental fire service act	12,361	-	-	12,361	12,361
Total operating grant revenue	<u>12,361</u>	<u>-</u>	<u>-</u>	<u>12,361</u>	<u>12,361</u>
Miscellaneous revenues offset with appropriations:					
Uniform fire safety act revenues:					
Annual registration fee	23,209	-	-	23,209	28,246
Penalties and fines	18,156	-	-	18,156	22,834
Other revenues	134,207	-	-	134,207	91,088
Total uniform fire safety act revenues	<u>175,572</u>	<u>-</u>	<u>-</u>	<u>175,572</u>	<u>142,168</u>
Total miscellaneous revenues offset with appropriations	<u>175,572</u>	<u>-</u>	<u>-</u>	<u>175,572</u>	<u>142,168</u>
Total revenues	<u>208,331</u>	<u>-</u>	<u>-</u>	<u>208,331</u>	<u>205,605</u>
Amount raised by taxation to support district budget	1,122,322	225,000	84,178	1,431,500	1,409,475
Total anticipated revenues	<u>1,330,653</u>	<u>225,000</u>	<u>84,178</u>	<u>1,639,831</u>	<u>1,615,080</u>
<b>Expenditures:</b>					
Operating appropriations:					
Administration:					
Salaries and wages	73,815	-	-	73,815	74,608
Fringe benefits	48,645	-	-	48,645	41,985
Other expenditures:					
Professional fees	26,023	-	-	26,023	21,187
Elections	4,069	-	-	4,069	9,658
Utilities	16,909	-	-	16,909	13,392
Office supplies	28,475	-	-	28,475	35,230
Volunteers length of service	-	-	-	-	20,520
Total administration	<u>197,936</u>	<u>-</u>	<u>-</u>	<u>197,936</u>	<u>216,580</u>
Cost of operations and maintenance:					
Other expenditures:					
Rental charges	119,156	-	-	119,156	115,616
Insurance	116,811	-	-	116,811	125,074
Advertising	961	-	-	961	3,898
Training and education	16,736	-	-	16,736	18,521
Uniforms	13,158	-	-	13,158	4,923
Maintenance and repairs	140,510	-	-	140,510	114,127
Fire protection services	167,138	-	-	167,138	164,704
Other non-bondable assets	70,656	-	-	70,656	101,122
Total cost of operations and maintenance	<u>645,126</u>	<u>-</u>	<u>-</u>	<u>645,126</u>	<u>647,985</u>

See accompanying notes to financial statements.

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, 2009  
 (With comparative totals for the year ended December 31, 2008)

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals (Memorandum Only)</u>	
				<u>December 31, 2009</u>	<u>December 31, 2008</u>
Operating appropriations offset with revenues:					
Salaries and wages	117,808	-	-	117,808	114,448
Fringe benefits	68,780	-	-	68,780	68,175
Other expenditures	26,662	-	-	26,662	32,701
Total operating appropriations offset with revenues	213,250	-	-	213,250	215,324
Length of service award program	99,315	-	-	99,315	68,010
Total operating appropriations	1,155,627	-	-	1,155,627	1,147,899
Capital expenditures:					
Vehicles	-	66,882	-	66,882	33,260
Total capital expenditures	-	66,882	-	66,882	33,260
Debt service for capital appropriations:					
Capital leases	-	-	70,813	70,813	67,818
Interest on capital leases	-	-	13,365	13,365	16,361
Total debt service for capital appropriations	-	-	84,178	84,178	84,179
Total governmental expenditures	1,155,627	66,882	84,178	1,306,687	1,265,338
Excess of revenues over expenditures	175,026	158,118	-	333,144	349,742
Fund balance, January 1	733,786	855,320	-	1,589,106	1,293,877
Prior period adjustment	-	-	-	-	(54,513)
Fund balance, January 1 (restated)	733,786	855,320	-	1,589,106	1,239,364
Fund balance, December 31	\$ 908,812	\$ 1,013,438	\$ -	\$ 1,922,250	\$ 1,589,106

See accompanying notes to financial statements.

**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, 2009**

Total net changes in Fund Balance-Governmental Funds (B-2)	\$	333,144	
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		66,882	
Depreciation Expense		<u>(170,197)</u>	(103,315)
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.			
			70,813
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		13,364	
Current year		<u>(10,236)</u>	3,128
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		(53,092)	
Current year		<u>51,211</u>	(1,881)
In the statement of activities, certain operating expenses, e.g., compensated absences (sick leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used, essentially, the amounts actually paid. This year, the decrease in sick leave paid was \$5,831.			
			<u>5,831</u>
Changes in net assets of governmental activities	\$	<u>307,720</u>	

See accompanying notes to financial statements.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE  
 Fiduciary Funds  
 Statement of Fiduciary Net Assets  
 December 31, 2009  
 (With comparative totals for December 31, 2008)

	Length of Service Award Program	Unemployment Compensation	Totals (Memorandum Only)	
			December 31, <u>2009</u>	December 31, <u>2008</u>
Assets:				
Cash	\$ -	\$ 41,760	\$ 41,760	\$ 35,516
Investments	439,130	-	439,130	368,935
Interfund accounts receivable	-	276	276	273
Total assets	<u>439,130</u>	<u>42,036</u>	<u>481,166</u>	<u>404,724</u>
Net assets:				
Reserved:				
For unemployment claims	-	42,036	42,036	35,789
For Length of Service Award Program	<u>439,130</u>	-	<u>439,130</u>	<u>368,935</u>
Total net assets	<u>\$ 439,130</u>	<u>\$ 42,036</u>	<u>\$ 481,166</u>	<u>\$ 404,724</u>

See accompanying notes to financial statements.



**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Assets**  
**For the year ended December 31, 2009**  
**(With comparative totals for the year ended December 31, 2008)**

	Length of Service Award Program	Unemployment Compensation	Totals (Memorandum Only)	
			December 31, 2009	December 31, 2008
Revenues and other financing sources:				
Employee contributions	\$ -	\$ 276	\$ 276	\$ 275
District contributions	99,315	5,727	105,042	72,821
Rollover and other contributions	15,213	-	15,213	10,000
Total contributions	114,528	6,003	120,531	83,096
Investment earnings:				
Interest	15,371	244	15,615	14,992
Total investment earnings	15,371	244	15,615	14,992
Total revenues and other financing sources	129,899	6,247	136,146	98,088
Expenditures:				
Withdrawals and administrative fees	59,704	-	59,704	36,111
Total expenditures	59,704	-	59,704	36,111
Excess of revenues and other financing sources over expenditures	70,195	6,247	76,442	61,977
Fund balance, January 1	368,935	35,789	404,724	30,389
Prior period adjustment	-	-	-	312,358
Fund balance, January 1 (restated)	368,935	35,789	404,724	342,747
Fund balance, December 31	\$ 439,130	\$ 42,036	\$ 481,166	\$ 404,724

See accompanying notes to financial statements.

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements**  
**For the year ended December 31, 2009**

**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, 2009:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
Chester T. Hammel	2012
Martin F. Ruane	2010
Bertus A. Shelters, IV	2010
Kenneth A. Totten	2012
Kenneth R. Totten	2011

**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.

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

**Notes to Financial Statements (continued)**

**For the year ended December 31, 2009**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements of the Fire District conform to generally accepted accounting principles (GAAP) applicable to governmental funds of state and local governments in accordance with the provisions of N.J.A.C. 5:31-7-1. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

The basic financial statements report using the economic resources measurement focus and the accrual basis of accounting generally includes the reclassification or elimination of internal activity (between or within funds). Fiduciary fund financial statements also report using the same focus. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. The tax revenues are recognized in the year for which they are levied (see Note 2 D) while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon thereafter, within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

**B. Fund Accounting**

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

Governmental Funds:

*General Fund*

The General Fund is the general operating fund of the Fire District and is used to account for the inflows and outflows of financial resources. The acquisition of certain capital assets, such as fire fighting apparatus and equipment, is accounted for in the General Fund when it is responsible for the financing of such expenditures.

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2009**

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

**B. Fund Accounting (continued)**

*Capital Projects Fund*

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities such as firehouses and fire fighting apparatus. Generally, the financial resources of the Capital Projects Fund are derived from the issuance of debt or by the reservation of fund balance, which must be authorized by the voters as a separate question of the ballot either during the annual election or at a special election.

*Debt Service Fund*

The Debt Service Fund is used to account for resources that will be used to service general long-term debt.

Fiduciary Funds:

*Trust and Agency Fund*

The Trust and Agency Fund is used to account for assets held by the Fire District on behalf of outside parties, including other governments, or on behalf of other funds within the Fire District.

**C. District Wide and Fund Financial Statements**

*District Wide Financial Statements*

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

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

*Fund Financial Statements*

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

**D. Budgets and Budgetary Accounting**

The Fire District must adopt an annual budget in accordance with N.J.S.A. 40A: 14-78.1 et al.

The fire commissioners must introduce and approve the annual budget no later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for a public



**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2009**

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

**D. Budgets and Budgetary Accounting (continued)**

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

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

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

Fire Districts have a prescribed budgetary basis to demonstrate legal compliance. However, budgets are adopted on principally the same basis of accounting utilized for the preparation of the Fire Districts general-purpose financial statements.

**E. Encumbrances**

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances, other than in the special revenue fund, are reported as reservations of fund balances at year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current year-end. The encumbrance at December 31, 2009 totaled \$20,719.

**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, 2009**

**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:

Station and Improvements	5 to 25 Years
Equipment	5 to 15 Years
Mobile Equipment	5 to 15 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, 2009**

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

**K. Interfund Receivable/Payable**

Interfund receivables and payables that arise from transactions between funds that are due within one year are recorded by all funds affected by such transactions in the periods in which the transaction is executed.

**L. Compensated Absences**

Fire District employees are entitled to vacation and sick leave. Unused vacation 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, 2009**

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

**P. Use of Estimates**

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

**Q. Unrealized Gains and Losses**

Governmental Accounting Standards Board (GASB) has established GASB-31, which requires public agencies to report the financial effect of all unrealized gains and losses on invested funds. As of December 31, 2009, the unrealized gains for the Fire District were not considered to be material to the financial statements taken as a whole, and accordingly, has not been reflected in the financial statements.

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

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

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



**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2009**

**NOTE 3: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)**

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

<u>Type</u>	<u>Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
<b>Deposits:</b>			
Demand Deposits	N/A	N/A	\$ 1,959,836
Investments	N/A	N/A	<u>439,130</u>
Total Deposits			<u>\$ 2,398,966</u>
<b>Reconciliation to Governmental Fund Statements:</b>			
Governmental Funds			\$ 1,918,076
Fiduciary Fund			<u>480,890</u>
Total			<u>\$ 2,398,966</u>

**A. Custodial Credit Risk**

Deposits in financial institutions, reported as components of cash and cash equivalents had a bank balance of \$2,060,595 at December 31, 2009. Of the bank balance \$250,000 was fully insured by depository insurance and \$1,810,595 was secured by a collateral pool held by the bank, but not in the Fire District's name, as required by New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Governmental Unit Deposit Protection Act is more fully described in Note 4.

**B. Investment Interest Rate Risk**

The Fire District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**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;

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2009**

**NOTE 3: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)**

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

- Bonds or other obligations of the Fire District or bonds or other obligations of the local unit or units within which the Fire District is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Fire District;
- Local Government investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities.

**D. Concentration of Investment Credit Risk**

The Fire District places no limit on the amount it may invest in any one issuer. At December 31, 2009, the Fire District had investments that totaled \$439,130. These monies are invested in a LOSAP program with Hartford Life Insurance Company and is not insured by FDIC insurance or GUDPA, but is insured by SIPC.

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

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

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

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

**Notes to Financial Statements (continued)**

**For the year ended December 31, 2009**

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

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

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

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

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

**NOTE 5: 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.



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

**Notes to Financial Statements (continued)**

**For the year ended December 31, 2009**

**NOTE 5: FIXED ASSETS (continued)**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Buildings and improvements	\$ 538,000	\$ -	\$ -	\$ 538,000
Vehicles	3,178,423	66,882	(19,776)	3,225,529
Equipment	<u>134,108</u>	<u>-</u>	<u>-</u>	<u>134,108</u>
Totals at historical cost	<u>3,850,531</u>	<u>66,882</u>	<u>(19,776)</u>	<u>3,897,637</u>
Less: accumulated depreciation				
Buildings and improvements	(169,160)	(21,520)	-	(190,680)
Vehicles	(1,537,813)	(144,170)	19,776	(1,662,207)
Equipment	<u>(123,953)</u>	<u>(4,507)</u>	<u>-</u>	<u>(128,460)</u>
Total accumulated depreciation	<u>(1,830,926)</u>	<u>(170,197)</u>	<u>19,776</u>	<u>(1,981,347)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>\$ 2,019,605</u>	<u>\$ (103,315)</u>	<u>\$ -</u>	<u>\$ 1,916,290</u>

**NOTE 6: NONCURRENT LIABILITIES**

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

	<u>Balance 12/31/08</u>	<u>Accrued/ increases</u>	<u>Retired/ decreases</u>	<u>Balance 12/31/09</u>	<u>Due within one year</u>
Capital leases	\$ 302,577	\$ -	\$ 70,813	\$ 231,764	\$ 73,940
Compensated absences	<u>7,846</u>	<u>-</u>	<u>5,831</u>	<u>2,015</u>	<u>-</u>
Total	<u>\$ 310,423</u>	<u>\$ -</u>	<u>\$ 76,644</u>	<u>\$ 233,779</u>	<u>\$ 73,940</u>

**A. Capital Leases**

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

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 73,940	\$ 10,238	\$ 84,178
2011	77,207	6,971	84,178
2012	<u>80,617</u>	<u>3,561</u>	<u>84,178</u>
Total	<u>\$ 231,764</u>	<u>\$ 20,770</u>	<u>\$ 252,534</u>



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

**Notes to Financial Statements (continued)**

**For the year ended December 31, 2009**

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

**2009**

Total Compensated Absences                      \$ 2,015

**NOTE 8: PENSION**

**A. Custodial Credit Risk**

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 (PERS) was established in January 1955 under the provisions of *N.J.S.A.43:15A* to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. 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.

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

**Notes to Financial Statements (continued)**

**For the year ended December 31, 2009**

**NOTE 8: PENSION (continued)**

**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 TPAF and the PERS will have their pensions calculated on the basis of years of credit divided by 55. It also provides that all current retirees will have their original pension recalculated under the N/55 formula. Starting February 1, 2002, pension cost of living adjustments will be based on the new original pension.

**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 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits and post-retirement medical premiums.

**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.



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

**Notes to Financial Statements (continued)**

**For the year ended December 31, 2009**

**NOTE 9: 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 10: LENGTH OF SERVICE AWARDS PROGRAM**

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

The contribution for the year ended December 31, 2009 is \$99,315.

This is not a pension plan as described under the Employee Retirement Security Act, and therefore is not guaranteed to the volunteers until they reach the age 65.

**NOTE 11: INTERFUND RECEIVABLE/PAYABLE**

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

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 11,714	\$ 276
Capital projects	-	11,714
Unemployment compensation	<u>276</u>	<u>-</u>
Total	<u>\$ 11,990</u>	<u>\$ 11,990</u>

**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, 2009, 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 \$12,361.

**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.

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

**Notes to Financial Statements (continued)**

**For the year ended December 31, 2009**

**NOTE 13: RISK MANAGEMENT (continued)**

**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>
12/31/09	\$ 244	\$ 5,727	\$ 276	\$ -	\$ 42,036
12/31/08	314	4,811	275	-	35,789
12/31/07	292	-	275	-	30,389

**NOTE 14: PRIOR PERIOD ADJUSTMENT**

In 2008, prior period adjustments were needed for budgetary basis fund balances.

The general fund had recorded prepaid expenses and therefore overstated the assets by \$54,513. The District corrected this with an adjustment to the prior year retained earnings.

The fiduciary fund had not recorded the activities of the Length of Service Award Program. This resulted in an adjustment to net assets of \$312,358.



**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Budgetary Comparison Schedule**  
**For the year ended December 31, 2009**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 5,000	\$ 5,000	\$ 17,895	\$ 12,895
Other revenue	-	-	2,503	2,503
Total miscellaneous revenues	<u>5,000</u>	<u>5,000</u>	<u>20,398</u>	<u>15,398</u>
Operating grant revenues:				
Supplemental fire service act	12,361	12,361	12,361	-
Total operating grant revenue	<u>12,361</u>	<u>12,361</u>	<u>12,361</u>	<u>-</u>
Miscellaneous revenues offset with appropriations:				
Uniform fire safety act revenues:				
Annual registration fee	21,223	21,223	23,209	1,986
Penalties and fines	2,500	2,500	18,156	15,656
Other revenues	77,991	77,991	134,207	56,216
Total uniform fire safety act revenues	<u>101,714</u>	<u>101,714</u>	<u>175,572</u>	<u>73,858</u>
Total miscellaneous revenues offset with appropriations	<u>101,714</u>	<u>101,714</u>	<u>175,572</u>	<u>73,858</u>
Total revenues	<u>119,075</u>	<u>119,075</u>	<u>208,331</u>	<u>89,256</u>
Amount raised by taxation to support district budget				
	<u>1,431,500</u>	<u>1,431,500</u>	<u>1,431,500</u>	<u>-</u>
Total anticipated revenues	<u>1,550,575</u>	<u>1,550,575</u>	<u>1,639,831</u>	<u>89,256</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	82,052	82,052	73,815	8,237
Fringe benefits	60,316	48,816	48,645	171
Other expenditures:				
Professional fees	27,500	28,000	26,023	1,977
Elections	6,000	6,000	4,069	1,931
Utilities	15,500	17,500	16,909	591
Office supplies	42,500	47,500	28,475	19,025
Volunteers length of service	10,300	10,300	-	10,300
Total administration	<u>244,168</u>	<u>240,168</u>	<u>197,936</u>	<u>42,232</u>

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE  
Budgetary Comparison Schedule  
For the year ended December 31, 2009

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Cost of operations and maintenance:				
Other expenditures:				
Rental charges	119,156	119,156	119,156	-
Insurance	150,000	150,000	116,811	33,189
Advertising	7,000	7,000	961	6,039
Training and education	38,150	34,650	16,736	17,914
Uniforms	36,735	36,735	13,158	23,577
Maintenance and repairs	156,000	152,500	140,510	11,990
Fire protection services	167,138	167,138	167,138	-
Contingencies	2,500	2,500	-	2,500
Other non-bondable assets	96,075	153,627	70,656	82,971
Total cost of operations and maintenance	<u>772,754</u>	<u>823,306</u>	<u>645,126</u>	<u>178,180</u>
Operating appropriations offset with revenues:				
Salaries and wages	121,608	121,608	117,808	3,800
Fringe benefits	62,567	70,067	68,780	1,287
Other expenditures	65,300	40,300	26,662	13,638
Total operating appropriations offset with revenues	<u>249,475</u>	<u>231,975</u>	<u>213,250</u>	<u>18,725</u>
Length of service award program	75,000	100,000	99,315	685
Capital appropriations	<u>225,000</u>	<u>246,740</u>	<u>66,882</u>	<u>179,858</u>
Debt service for capital appropriations:				
Capital leases	70,813	70,813	70,813	-
Interest on capital leases	13,365	13,365	13,365	-
Total debt service for capital appropriations	<u>84,178</u>	<u>84,178</u>	<u>84,178</u>	<u>-</u>
Total operating appropriations	<u>1,650,575</u>	<u>1,726,367</u>	<u>1,306,687</u>	<u>419,680</u>
Excess (efficiency) of revenues over (under) expenditures	(100,000)	(175,792)	333,144	508,936
Fund balance, January 1	<u>1,589,106</u>	<u>1,589,106</u>	<u>1,589,106</u>	<u>-</u>
Fund balance, December 31	<u>\$ 1,489,106</u>	<u>\$ 1,413,314</u>	<u>\$ 1,922,250</u>	<u>\$ 508,936</u>



Certified Public Accountants & Consultants

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, 2009. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

### GENERAL COMMENTS

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

*N.J.S.A.40A:11-4* - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$21,000 except by contract or agreement.

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

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

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

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

The examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$3,150 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

#### **Examination of Bills**

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

#### MEDFORD OFFICE

618 Stokes Road • Medford, New Jersey 08055  
Tel: 609.953.0612 • Fax: 609.953.8443

[www.holmanfrenia.com](http://www.holmanfrenia.com)

#### TOMS RIVER OFFICE

10 Allen Street, Suite 2B • Toms River, NJ 08753  
Tel: 732.797.1333 • Fax: 732.797.1022



### **Examination of Cash Receipts**

A test check of cash receipts was made. The results of the examination disclosed the following:

#### **Reserve for Encumbrances and Accounts Payable**

A review of outstanding issued purchase orders was made as of December 31, 2009 for proper classification of orders as reserve for encumbrances and accounts payable. The following was noted:

##### **Finding 2009-01:**

It was noted that during our audit, the District does not properly record accounts payable and encumbrances.

##### **Recommendation**

That the District review open purchase orders at year-end to ensure that they are correctly classified and charges are correct.

##### **Finding 2009-02:**

Three (3) of the fifty (50) purchase orders selected for testing were not properly signed by the department head or the appropriate commissioners.

##### **Recommendation**

Each purchase order must be completely filled out with the appropriate required signatures.

##### **Follow-up on Prior Years' Findings**

In accordance with government auditing standards, our procedures included a review of all prior year findings.

##### **Acknowledgment**

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

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

Should you have any questions, please contact us.

*HOLMAN & FRENIA, P.C.*

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

April 09, 2010  
Toms River, New Jersey