

**HAMILTON TOWNSHIP FIRE DISTRICT No. 3**

Financial Statements and Supplementary Information  
Year Ended December 31, 2010



# HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Financial Statements and Supplementary Information  
Year Ended December 31, 2010

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**HAMILTON TOWNSHIP FIRE DISTRICT No. 3**

Roster of Officials

For the Year Ended December 31, 2010

**Board of Fire Commissioners**

Joseph Zalescik, Chairman

Patrick Gribbin, Vice-Chairman

David Brenner, Treasurer

Gilbert Lugossy, Secretary

James Gramigna, Commissioner

**Other Officials**

Dan Graziano & Associates, Attorney

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Fire Commissioners  
Hamilton Township Fire District No. 3  
Hamilton, New Jersey

We have audited the accompanying financial statements of the governmental activities and each major fund of Hamilton Township Fire District No. 3, in the County of Mercer, State of New Jersey, as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hamilton Township Fire District No. 3'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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Hamilton Township Fire District No. 3, in the County of Mercer, State of New Jersey, as of December 31, 2010, and the respective changes in financial position 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 June 15, 2011, on our consideration of Hamilton Township Fire District No. 3'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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 21 through 22 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hamilton Township Fire District No. 3's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section has 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 it. The other supplementary has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*DePietto & DePietto, LLC*

Holland, Pennsylvania  
June 15, 2011

REQUIRED SUPPLEMENTARY INFORMATION

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 3**

Management's Discussion and Analysis

For the Year Ended December 31, 2010

(Unaudited)

The discussion and analysis of the Hamilton Township Fire District No. 3's (the "District") financial performance provides an overall review of the District's financial activities for the year ended December 31, 2010. The intent of the 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.

### **Financial Highlights**

Key financial highlights for 2010 are as follows:

In total, net assets increased \$66,278 from 2009.

General revenues accounted for \$2,928,001 or 100% of all revenues.

The District had \$2,721,727 in expenses not including \$139,976 of depreciation for 2010. General revenues (primarily taxes) of \$2,928,001 were adequate to provide for these programs.

### **Using this Report**

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand Hamilton Township 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 the following three parts: management's discussion and analysis, the basic financial statements, and required supplementary information.

### **Required Financial Statements**

Under GASB 34, any special purpose government entity that has only one major fund may show the government-wide and fund financial statements all as part of the basic financial statements. Since the District only has governmental funds the District-wide and fund financial statements are combined in the basic financial statements.

The financial statements of the District report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles which are generally accepted in the United States of America. The Statement of Net Assets and Governmental Funds Balance Sheet includes information on the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances identify the District's revenues and expenses for the year ended December 31, 2010.

## Financial Analysis of the District

The Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances provide an indication of the District's financial condition. The District's net assets reflect the difference between assets and liabilities. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

### Net Assets

A summary of the District's Statement of Net Assets is presented below.

**Table 1**  
**Condensed Statement of Net Assets**

	<u>Governmental</u> <u>Activities</u> <u>2010</u>	<u>Governmental</u> <u>Activities</u> <u>2009</u>
Current and Other Assets	\$ 990,705	\$ 893,094
Capital Assets, net of accumulated depreciation	<u>718,666</u>	<u>818,155</u>
Total Assets	<u>\$1,709,371</u>	<u>\$1,711,249</u>
Liabilities and Net Assets:		
Total Liabilities	\$ 438,860	\$ 507,016
Net Assets:		
Invested in Capital Assets, net of related debt	329,052	344,482
Reserves for building, fire apparatus and fringe benefits	436,135	493,907
Unrestricted	<u>505,324</u>	<u>365,844</u>
Total Net Assets	<u>1,270,511</u>	<u>1,204,233</u>
Total Liabilities and Net Assets	<u>\$1,709,371</u>	<u>\$1,711,249</u>

As Table 1 indicates, total assets decreased by \$1,878 from \$1,711,249 to \$1,709,371 during the year ended December 31, 2010. This is comprised of an increase in cash and cash equivalents of \$100,315, a decrease in prepaid expenses of \$2,704, and a decrease of \$99,489 in capital assets due to recording depreciation expense for \$139,996 and installing an air filtration system in the fire house for \$40,507. Total liabilities reflect a decrease of \$68,156. This includes an increase in accounts payable and accrued expenses of \$2,787, a reduction in pension and pension loan payable of \$360, an increase in payroll and payroll taxes payable of \$13,476, and repayment of \$84,059 in long-term debt as the District continued to make scheduled payments on the capital lease and note payable.

Table 1 also indicates that total net assets increased by \$66,278 from \$1,204,233 to \$1,270,511. That increase is due to \$66,278 of revenues exceeding expenses in 2010. In addition, net assets invested in capital assets, net of related debt, decreased by \$15,430 due to \$84,059 decrease in principal on the capital lease and notes payable, a \$139,996 increase in accumulated depreciation and a \$40,507 increase in capital assets due to the purchase and installation of an air filtration system in the fire house. There was a decrease of \$57,772 in reserves for building, fire apparatus and fringe benefits. This includes designations of unrestricted net assets of an increase of \$865 in reserves for the

building, a decrease of \$81,324 for reserves for fire apparatus, no increase in reserves for emergency overtime pay, and a \$22,687 increase in reserves for post-retirement sick pay.

**Table 2**  
**Condensed Statement of Activities**

	<u>Governmental</u> <u>Activities</u> <u>2010</u>	<u>Governmental</u> <u>Activities</u> <u>2009</u>
<b>REVENUES:</b>		
General Revenues:		
Property Taxes	\$2,818,042	\$2,643,979
Basic entitlement grant	7,099	14,199
Other revenue	<u>102,860</u>	<u>71,924</u>
Total Revenues	<u>\$2,928,001</u>	<u>\$2,730,102</u>
<b>EXPENSES:</b>		
Administration	\$ 57,009	\$ 60,836
Cost of Operations and Maintenance	2,784,498	2,727,450
Interest Expense – Debt Service	<u>20,216</u>	<u>23,467</u>
Total Expenses	<u>2,861,723</u>	<u>2,811,753</u>
Increase (Decrease) in Net Assets	<u>\$ 66,278</u>	<u>\$ (81,651)</u>

The Statement of Activities identifies the various revenue and expense items which affect the change in net assets. Table 2 indicates that the District’s total revenues increased by \$197,899 or 7.2%. The increase in revenue was primarily due to an increase in property tax revenues and a grant from FEMA for assistance to the firefighters. Total expenses increased by \$49,970 or 1.8%. The change was due primarily to an increase in salaries and fringe benefits.

**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 96.2% of revenues for governmental activities for Hamilton Township Fire District No. 3 for 2010. The District’s total revenues were \$2,928,001 for the year ended December 31, 2010. The state and federal grants accounted for another 1.5% of revenue, life hazard use fees and other fees for .4% of revenue, interest income for .1% and other miscellaneous revenue accounted for the remaining 1.8%.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

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) are accounted for using the modified-accrual basis of accounting. Total revenues were \$2,928,001 and expenditures were \$2,861,723. The change in fund balance for the year in the general fund was an increase of \$66,278. There was an increase of \$22,687 in general fund reserves for post-retirement sick pay to be in compliance with GASB 45, *Other Post Employment Benefits*.

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 schedule presents a summary of the revenues of the General Fund for the year ended December 31, 2010, and the amount of increases and decreases in relation to prior year revenues.

**Table 3**  
**Summary of Revenues – General Fund**

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease) from 2009</u>
<b>Revenue:</b>			
Local Sources:			
Amount to be Raised by Taxation	\$2,818,042	\$2,643,979	\$174,063
Miscellaneous	102,860	71,924	30,936
State sources	<u>7,099</u>	<u>14,199</u>	<u>(7,100)</u>
Total	<u>\$2,928,001</u>	<u>\$2,730,102</u>	<u>\$197,899</u>

The following schedule presents a summary of the expenditures of the General Fund for the year ended December 31, 2010, and the amount of increases and decreases in relation to prior year amounts.

**Table 4**  
**Summary of Expenditures – General Fund**

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease) from 2009</u>
<b>Expenditures:</b>			
Administration	\$ 57,009	\$ 60,836	\$(3,827)
Cost of Operations and Maintenance	2,784,498	2,727,450	57,048
Interest expense	<u>20,216</u>	<u>23,467</u>	<u>(3,251)</u>
Total	<u>\$2,861,723</u>	<u>\$2,811,753</u>	<u>\$49,970</u>

## Capital Assets

At the end of the year 2010, the District had \$718,666 invested in buildings, fire equipment, telecommunications and security equipment, fire apparatus and office furniture and equipment. Table 5 shows 2010 balances compared to 2009. The District purchased and installed an air filtration system for \$40,507 in 2010

**Table 5**  
**Capital Assets (Net of Depreciation)**

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease) from 2009</u>
Building	\$155,779	\$194,723	\$ (38,944)
Building Improvements	78,793	44,033	34,760
Fire Apparatus	440,372	503,052	(62,680)
Firefighting Equipment	24,378	42,686	(18,308)
Office Furniture and Equipment	0	0	0
Other Vehicles	12,547	25,095	(12,548)
Telecommunications Equipment	<u>6,797</u>	<u>8,566</u>	<u>(1,769)</u>
Total	<u>\$718,666</u>	<u>\$818,155</u>	<u>\$(99,489)</u>

## Economic Factors and Next Years Budget

For the 2010 year the Hamilton Township Fire District No. 3 was able to sustain its budget through the district tax levy and other sources of revenue. Approximately 96% of total revenue is from the local tax levy, while the remaining 4% is from other sources. The tax rate levy per \$100 of property valuation increased from \$.00658 in 2009 to \$.00697 in 2010.

The Board of Fire Commissioners adopted the 2010 budget on January 11, 2010 and the voters subsequently approved the budget, but not the referendum, at the annual fire district election held on February 20, 2010. The 2011 budget was adopted in January of 2011 and subsequently approved by voters in elections held in February of 2011.

## **For the Future**

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

In conclusion, Hamilton Township 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 challenges of the future.

## **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, creditors and other interested parties with a general overview of the District's finances and to show the District's accountability for the money it receives. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact Gilbert Lugossy, Secretary of the Board of Fire Commissioners at Hamilton Township Fire District No. 3, 13 Rennie Street, Hamilton, New Jersey, 08610.

## BASIC FINANCIAL STATEMENTS

**HAMILTON TOWNSHIP FIRE DISTRICT No. 3**

## Statement of Net Assets and Governmental Funds Balance Sheet

December 31, 2010

Governmental Funds

	<u>General Fund</u>	<u>Total</u>	<u>Adjustments (Note 11)</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 986,869	\$ 986,869	\$ 0	\$ 986,869
Capital assets, net of accumulated depreciation	0	0	718,666	718,666
Prepaid expenses	3,836	3,836	0	3,836
Total assets	<u>\$ 990,705</u>	<u>\$ 990,705</u>	<u>\$ 718,666</u>	<u>\$ 1,709,371</u>
<b>LIABILITIES</b>				
Accrued expenses	\$ 10,287	\$ 10,287	\$ 0	\$ 10,287
Deferred compensation liability	1,353	1,353	0	1,353
Payroll and payroll taxes payable	37,572	37,572	0	37,572
Pension and pension loan payable	34	34	0	34
Long-term liabilities:				
Due within one year	0	0	88,116	88,116
Due after one year	0	0	301,498	301,498
Total liabilities	<u>49,246</u>	<u>49,246</u>	<u>389,614</u>	<u>438,860</u>
<b>FUND BALANCES/NET ASSETS</b>				
Fund balances:				
Unreserved	<u>941,459</u>	<u>941,459</u>	<u>(941,459)</u>	<u>0</u>
Total fund balances	<u>941,459</u>	<u>941,459</u>	<u>(941,459)</u>	<u>0</u>
Total liabilities and fund balances	<u>\$ 990,705</u>	<u>\$ 990,705</u>	<u>(551,845)</u>	<u>438,860</u>
Net assets:				
Invested in capital assets, net of related debt			329,052	329,052
Reserve for building			188,614	188,614
Reserve for fire apparatus			121,097	121,097
Reserve for post retirement sick pay benefits			116,424	116,424
Reserve for other fringe benefits			10,000	10,000
Unrestricted			505,324	505,324
Total net assets			<u>1,270,511</u>	<u>1,270,511</u>
Total liabilities and net assets			<u>\$ 718,666</u>	<u>\$ 1,709,371</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

**HAMILTON TOWNSHIP FIRE DISTRICT No. 3**Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended December 31, 2010

	<u>Governmental Funds</u>			
	<u>General</u>		<u>Adjustments</u>	<u>Statement of</u>
	<u>Fund</u>	<u>Total</u>	<u>(Note 11)</u>	<u>Activities</u>
Expenditures/expenses:				
Fire protection - administration	\$ 57,009	\$ 57,009	\$ 0	\$ 57,009
Fire protection - operations	2,784,498	2,784,498	0	2,784,498
Interest expense - debt service	20,216	20,216	0	20,216
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures/expenses	2,861,723	2,861,723	0	2,861,723
	<hr/>	<hr/>	<hr/>	<hr/>
General revenues:				
Taxes	2,818,042	2,818,042	0	2,818,042
Life hazard use fees	11,671	11,671	0	11,671
Basic entitlement grant	7,099	7,099	0	7,099
FEMA Assistance to Firefighters grant	38,482	38,482	0	38,482
Interest income	2,315	2,315	0	2,315
Miscellaneous income	48,728	48,728	0	48,728
Permits and fees	1,664	1,664	0	1,664
Transfers - internal activities	0	0	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
Total general revenues and transfers	2,928,001	2,928,001	0	2,928,001
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of revenues and transfers in over expenditures and transfers out	66,278	66,278	(66,278)	0
Changes in net assets	0	0	66,278	66,278
Fund balance/net assets:				
Beginning of the year	1,204,233	1,204,233	0	1,204,233
	<hr/>	<hr/>	<hr/>	<hr/>
End of the year	\$1,270,511	\$1,270,511	\$ 0	\$1,270,511
	<hr/>	<hr/>	<hr/>	<hr/>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 3**

Notes to the Financial Statements

December 31, 2010

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Hamilton Township Fire District No. 3 (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. 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 District’s accounting policies are described below.

#### **Reporting Entity**

Hamilton Township Fire District No. 3 is a political subdivision of the Township of Hamilton, County of Mercer, New Jersey. The District was formed to provide fire prevention and suppression services to the residents of Hamilton Township. The District functions independently through a Board of Fire Commissioners. The board is comprised of five members elected to three-year terms. The annual Fire District election is held the third Saturday of February.

In accordance with the requirements of Statement No. 14, *The Financial Reporting Entity, of the Governmental Accounting Standards Board* (GASB), the financial statements must present the District (the primary government) and its component units. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization’s governing body and either (1) the District’s ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Pursuant to this criterion, no component units were identified for inclusion in the accompanying financial statements.

#### **Basic Financial Statements – Government-Wide and Fund Financial Statements**

The District’s basic financial statements (i.e., the statement of net assets and the statement of changes in net assets) combine both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds) and report information on all of the non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to residents or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported as general revenues.

Major individual governmental funds are reported as separate columns in the basic financial statements.

## HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2010

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the *current financial resources measurement focus* and the *modified-accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District in general considers revenues available if they are collected within 60 days of the end of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

For the governmental funds financial statements, the District considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and are recorded at the time of receipt or earlier, if the susceptible to accrual criteria are met.

The accounts of the District are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the District except those required to be accounted for in other specialized funds.

#### **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 in governmental funds are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures of liabilities but rather commitments related to unperformed contracts for goods and services.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

Encumbrances (continued)

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

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 received. Grants from other governments 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.

Capital Assets

Capital assets, which include buildings, fire apparatus, telecommunications and firefighting equipment and office furniture and equipment, generally result from expenditures in the governmental funds. These assets are reported on the government –wide statement of net assets.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not.

Depreciation has been provided over estimated useful lives of the assets using the straight-line method.

The estimated useful lives are as follows:

Building	30 years
Building improvements	7.5 to 39 years
Fire apparatus	15 years
Firefighting equipment	5 – 10 years
Office furniture and equipment	5 years
Other vehicles	5 years
Telecommunications equipment	5 -10 years

Prepaid Expenses

Prepaid expenses recorded on the district-wide financial statements represent payments to vendors for services that will benefit periods beyond December 31, 2010.

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 3**

Notes to the Financial Statements

December 31, 2010

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### Employee Benefits

Vacation, sick pay and other employee benefits are recorded as expenditures when paid except for other post employment benefits noted in Note 10.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

#### Income Taxes

As a public body, the District is exempt from both federal and state taxes existing under statute.

#### Budget and Budgetary Accounting

The 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. Upon introduction, the commissioners 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 a newspaper having substantial circulation in the 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 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 District budget, the amount of money to be raised by taxation in support of the 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 District's financial statements.

#### Fire District Taxes

Upon the proper certification to the assessor of the municipality in which the District is located, the assessor shall assess the amount of taxes to be raised in support of the District's budget in the same manner as all other municipal taxes. The collector or treasurer of the municipality then pays the assessed taxes in four equal installments to the treasurer or custodian of funds of the District.

## HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2010

### NOTE 2 – CASH AND CASH EQUIVALENTS AND CONCENTRATION OF CREDIT RISK

#### Cash and Cash Equivalents

Cash used for the day-to-day operations of the Fire District is in interest bearing checking accounts and interest bearing money market accounts. The balances in these accounts at December 31, 2010 were \$602,496 and \$384,373, respectively. The interest rate varied for 2010.

#### Concentration of Credit Risk

The District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Government 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 New Jersey.

N.J.S.A. 17:9-41 et. Seq. establishes the requirements for security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a 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.

#### Bank deposits

All bank deposits are classified as to credit risk by the three categories. **Category 1** consists of bank deposits insured or collateralized with securities held by the District or in the District’s name by its agent. **Category 2** consists of bank deposits collateralized with securities held by pledging public depository’s trust department or agent in the District’s name. **Category 3** includes uncollateralized deposits including any deposits that are collateralized with securities held by the pledging public depository or by its trust department or agent but not in the District’s name. At December 31, 2010, the District’s deposits of \$986,869 are classified as Category 1 deposits.

## HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2010

### NOTE 3 – CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Being Depreciated:				
Building	\$1,168,326	\$ 0	\$ 0	\$1,168,326
Building improvements	129,005	40,507	0	169,512
Fire apparatus	940,207	0	0	940,207
Firefighting equipment	162,929	0	0	162,929
Office furniture and equipment	24,882	0	0	24,882
Other vehicles	77,212	0	0	77,212
Telecommunications equipment	<u>24,961</u>	<u>0</u>	<u>0</u>	<u>24,961</u>
Total Capital Assets, Being Depreciated	2,527,522	40,507	0	2,568,029
Less: Total Accumulated Depreciation	<u>1,709,367</u>	<u>139,996</u>	<u>0</u>	<u>1,849,363</u>
Total Capital Assets, Being Depreciated, Net	<u>818,155</u>	<u>(99,489)</u>	<u>0</u>	<u>718,666</u>
Governmental Activities Capital Assets, Net	<u>\$ 818,155</u>	<u>\$(99,489)</u>	<u>\$ 0</u>	<u>\$ 718,666</u>

Depreciation expense of \$139,996 was charged to governmental activities as part of its cost of operations.

### NOTE 4 – ACCRUED EXPENSES

Accrued expenses include professional fees that were incurred for the year ended December 31, 2010 but were not paid by that date.

### NOTE 5 – LONG-TERM LIABILITIES

#### Note Payable

At a special election on July 31, 2004, voters approved a capital improvement program which included financing. Contracts were awarded on October 12, 2004. PNC Bank (formerly Yardville National Bank) was awarded the financing of the program. A commercial loan for \$750,000 was signed on June 9, 2005 to finance the acquisition of a new fire truck and rescue and support equipment. The term of the loan is for ten years at an interest rate of 4.5%. Payments are \$7,797 per month (\$93,561 annually) with the final payment due on June 8, 2015.

The loan balance outstanding on December 31, 2010 was \$379,576. Interest expense for the year ended December 31, 2010 was \$19,560.

## HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2010

### NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

#### Note Payable (continued)

Minimum future payments under the loan as of December 31 of each year for the next five years are estimated as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	78,078	15,483	93,561
2012	81,107	12,454	93,561
2013	84,202	9,359	93,561
2014	87,416	6,145	93,561
2015	<u>48,773</u>	<u>1,885</u>	<u>50,658</u>
Total	<u>\$379,576</u>	<u>\$45,326</u>	<u>\$424,902</u>

#### Obligation Under Capital Lease

On April 1, 2007, the District entered into an agreement with Commerce Commercial Leasing LLC to acquire a thermal imaging camera and twenty sets of firefighting turnout gear and provide for the cleaning and maintenance of the gear with a lease term of 60 months ending on October 1, 2011 and an interest rate of 3.79%. The amount financed was \$47,510. Total interest due over the life of the lease is \$4,112. The lease calls for semi-annual payments of principal and interest of \$5,162 and are due April 1 and October 1. Lease termination requires 30 days prior notice.

The capital lease balance outstanding on December 31, 2010 was \$10,038. Interest expense for the year ended December 31, 2010 was \$656.

The Mercer County Improvement Authority is leasing the fire-fighting apparatus to the District under its Lease Bank Program.

Minimum future payments under the capital lease as of December 31 of each year for the last year of the lease is estimated as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	<u>\$10,038</u>	<u>\$286</u>	<u>\$10,324</u>

### NOTE 6 – RESERVES FOR PROPERTY, APPARATUS AND EMPLOYEE BENEFITS

The fire commissioners have determined that reserves are necessary for the eventual replacement of fire apparatus, improvements to the property and operations. In 2010, the District had a total of \$436,135 in designated reserves. There was \$121,097 in reserves for fire apparatus, \$188,614 in reserves for building and building improvements, \$10,000 in reserves for state of emergency overtime and \$116,424 for post retirement sick pay benefits. For information about post retirement sick pay calculations and health benefits see Note 10.

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 3**

Notes to the Financial Statements

December 31, 2010

### **NOTE 7 – GRANTS**

#### Basic Entitlement Grant

Annually, the Supplemental Fire Services Program (SFSP) from the State of New Jersey, awards a grant to the District for volunteer fire services. By acceptance of the grant, the Fire District agrees to all obligations and responsibilities pursuant to the SFSP as provided in Ch. 295, P.L., 1985.

The funds are utilized for the purchase of items as defined in compliance with state statutes. The grant was budgeted for \$14,199 for the year ended December 31, 2010. Due to a change in the fiscal year end of the Hamilton Township's annual budget, the District received and expended only \$7,099 for the year ended December 31, 2010.

#### FEMA Assistance to Firefighters Grant

On February 19, 2010, the District was awarded a grant for a total of \$53,167 from FEMA under its Assistance to Firefighters Grant Program to purchase and install an air filtration system. The system cost \$40,507 and was purchased and installed by Air Technology Solutions, Inc. The District was required to match 5% of the amount expended. This was accomplished by paying the grant writer. No other funds were utilized.

### **NOTE 8 – PENSION RETIREMENT SYSTEMS**

Full-time employees contribute to the Police and Fire Retirement System Fund administered by the State of New Jersey. The employee contribution rate is 8.5% of the employee's base salary. The organization contributes to the pension fund and receives a statement of liability from the State of New Jersey on an annual basis. The pension contribution for the year ended December 31, 2010 was \$205,424.

### **NOTE 9 - EMPLOYEE POLICIES**

The district has entered into a collective bargaining agreement with Thomas T. Gribbin, Fire Chief, and Fireman's Mutual Benevolent Association, Locals #84 and #284, for all paid fire prevention and suppression employees and supervisors. The term of the current agreement began on January 1, 2010 and ends on December 31, 2013. It establishes both compensation and benefits for covered employees. Selected highlights of the agreement include:

#### Sick Leave

Each employee receives fifteen (15) days of sick time per year. Unused sick time may be accumulated. Payment of accumulated time is based on an equation. An hourly rate is determined and applied toward the unused sick time. The result is divided in half to determine the amount of the final payment. The final payment cannot exceed \$16,000. Based on accumulated sick days as of December 31, 2010, the accrued sick pay due employees under the terms of the contract at death or retirement was \$116,424. See Note 10.

#### Uniforms

All employees are provided with the necessary uniforms. New uniforms were purchased in 2010 at a cost of \$4,463.

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 3**

Notes to the Financial Statements

December 31, 2010

### **NOTE 9 - EMPLOYEE POLICIES (CONTINUED)**

#### Health Benefits

Employees and their families are covered by hospitalization, sickness and major medical insurance and prescription coverage under the NJ State Health Benefits Plan. The cost of these benefits was \$267,353 for the year ended December 31, 2010. Also see Note 10.

Dental coverage is also provided for the employee and his family. The cost of this benefit was \$19,503.

In addition, the district adopted a voluntary supplemental insurance program for eligible employees. This is an employee paid plan.

#### Vacations

Vacation days are based on length of service and shift assignment. They range from 8 days to 25 days per year. In addition, each employee is entitled to two personal days. Vacation days must be used before December 31.

#### Holidays

Employees were entitled to 13 holidays in December 31, 2010. In addition, rotating shift fire fighters receive an additional compensation: 13 days pay (for 12 hours per day) at base pay rates paid on December 31.

### **NOTE 10 – OTHER POST-RETIREMENT BENEFITS**

#### HEALTHCARE

##### Plan Description

The Commissioners of Hamilton Township Fire District No. 3, County of Mercer and State of New Jersey contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 1965, the Commissioners of Hamilton Township Fire District No. 3 authorized participation in the SHBP's post-retirement benefit program through a resolution.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for

## HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2010

### NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

#### HEALTHCARE

##### Plan Description (continued)

the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at [www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf](http://www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf).

The following explains the eligibility of retirees to participate in the post-retirement benefit program and describes the benefits received by the eligible employees:

- The Commissioners shall provide to the employee and his/her spouse, hospitalization, sickness insurance, prescription coverage, and major medical benefits under the New Jersey State Health Benefits Plan, upon retirement. In the event the retiree should predecease his or her spouse, the surviving spouse shall continue coverage provided that the Commissioners covered the surviving spouse at the time of the retiree's death. Surviving spouses that remarry will not be entitled to the medical benefits. Retiree's who are eligible for Medicare must enroll in both Part A (hospital insurance) and Part B (medical insurance) of Medicare. Medicare will be the primary payer of claims and the Commissioners coverage will become secondary after the retiree and his or her spouse turns sixty-five (65) years of age and enrolled in Medicare.
- As of December 31, 2012, the Commissioners shall provide to the employee and his/her spouse, dental benefits under the New Jersey State Health Benefits Plan, upon retirement. In the event the retiree should predecease his or her spouse, the surviving spouse shall continue coverage provided that the Commissioners covered the surviving spouse at the time of the retiree's death. Surviving spouses that remarry will not be entitled to the dental benefits.
- The Commissioners shall provide to the employee and his/her spouse, hospitalization, sickness insurance, prescription coverage, and major medical benefits under the New Jersey State Health Benefits Plan, for any full time employee who retires due to a line of duty injury. In the event the retiree should predecease his or her spouse, the surviving spouse shall continue coverage provided that the Commissioners covered the surviving spouse at the time of the retiree's death. Surviving spouses that remarry will not be entitled to the medical benefits. Retiree's who are eligible for Medicare must enroll in both Part A (hospital insurance) and Part B (medical insurance) of Medicare. Medicare will be the primary payer of claims and the Commissioners coverage will become secondary after the retiree and his or her spouse turns sixty-five (65) years of age and enrolled in Medicare.
- As of December 31, 2012 the Commissioners shall provide to the employee and his/her spouse, dental benefits under the New Jersey State Health Benefits Plan, for any full time employee who retires due to a line of duty injury. In the event the retiree should predecease his or her spouse, the surviving spouse shall continue coverage provided that the Commissioners covered the surviving spouse at the time of the retiree's death. Surviving spouses that remarry will not be entitled to the dental benefits.

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 3**

Notes to the Financial Statements

December 31, 2010

### **NOTE 10 – OTHER POST-RETIREMENT BENEFITS (CONTINUED)**

#### HEALTHCARE (CONTINUED)

##### Plan Description (continued)

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at [www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf](http://www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf)

##### Funding Policy

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Commissioners of Hamilton Township Fire District No. 3, County of Mercer, State of New Jersey on a monthly basis. The Fire District funds the cost of these benefits through taxes. There is currently no cost sharing with the employees. The cost of health benefits per retiree is \$878 per month which includes prescription and health insurance.

The Commissioners of Hamilton Township Fire District No. 3, County of Mercer, State of New Jersey contributions to SHBP for the year ending December 31, 2010 was \$256,831 of which \$10,522 was for retirees, which equaled the required contributions for each year. There was one retired participant eligible as of December 31, 2010.

#### SICK PAY

Each employee receives fifteen (15) days of sick time per year. Unused sick time may be accumulated. The calculation of accumulated time is based on an equation determined by the Commissioners of Hamilton Township Fire District No. 3, County of Mercer, State of New Jersey. It is based upon number of years already worked and approximate number of years to retirement for each employee who has accumulated sick time. An hourly rate is determined and applied toward the unused sick time. The result is divided in half to determine the amount of the final payment. The final payment cannot exceed \$16,000. Based on accumulated sick days as of December 31, 2010, the accrued sick pay due employees under the terms of the contract at death or retirement was \$116,424.

### **NOTE 11 – STATEMENT OF NET ASSETS – ADJUSTMENTS**

In order to present the statement of net assets in accordance with GASB 34, the District needed to make certain adjustments to the general fund balance sheet. The capital assets previously reported in the fixed asset group of accounts and long-term debt previously reported in the long-term debt group of accounts had to be posted to the general fund. Also, the ending fund balances had to be converted to the net asset classifications required under GASB 34. The adjustments shown on the statement of net assets accomplish that task.

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 3**

Notes to the Financial Statements

December 31, 2010

### **NOTE 12 – 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.

#### Property and Liability Insurance

The District maintains commercial insurance coverage for property, liability, workmen's compensation and surety bonds.

The fire District also covers its employees under the New Jersey Unemployment Trust Fund by the "contributions" method. Under this method, a contribution rate is established annually for the Fire District's share of unemployment tax. This rate is based on cost experience for all government employers.

### **NOTE 13 – CONTINGENCIES**

Hamilton Township Fire District No. 3 pays rent for each hydrant and inch-per-foot of water pipes in the fire district to Trenton Water Works. In the last quarter of 2008, Trenton Water Works, pursuant to a City of Trenton ordinance, increased the rental fees by 40%, an increase of \$14,497 per quarter for the District. In October 2008, the Mayor of Hamilton Township, John Bencivengo, wrote a letter to all Hamilton Township Fire Districts informing them that the increase for 2008 did not apply to Hamilton Township fire districts. He instructed the fire districts in Hamilton Township to continue paying the rental fees at the old rate. Trenton Water Works billed the fire districts at the increased rates for 2009 and 2010 and continues to bill them at that rate in 2011.

The townships of Hamilton, Hopewell, Ewing and Lawrence (outside water utility system users/"OWUS") filed suit against the City of Trenton and the Trenton Water Works in 2008, under Docket No. MER-L-2626-08. The lawsuit, in brief, alleges the City of Trenton was building an artificial surplus into the Trenton Water Works budget each year, thus, basically creating a budgetary line item for the City of Trenton's operating budget. The OWUS litigants have alleged Constitutional issues as well as other issues. Per the Hamilton Township Department of Law, the lawsuit continues and a new case management conference with Judge Feinberg is scheduled for August 12, 2011.

The outcome of the litigation is uncertain. Hamilton Township Fire District No. 3 continues to budget and pay Trenton Water Works at the 2008 rates. The budget is approved annually by the New Jersey Local Finance Board. The potential additional liability to the District at December 31, 2010 is \$130,473.

### **NOTE 14 – LITIGATION**

As of the date of this report there is no litigation pending which, if decided adversely to the District, would have a material impact on the District. However, see Note 13, Contingencies for litigation involving Hamilton Township and The City of Trenton and Trenton Water Works.

REQUIRED SUPPLEMENTARY INFORMATION

**HAMILTON TOWNSHIP FIRE DISTRICT No. 3**

## Schedule of Revenues and Expenditures

## Budget and Actual (Non-GAAP Budgetary Basis) - General Fund

For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u> Positive (Negative)
<b><u>Revenues:</u></b>				
Taxes	\$ 2,945,531	\$ 2,818,042	\$ 2,818,042	\$ 0
Life hazard use fees	10,500	10,500	11,671	1,171
Basic entitlement grant	14,000	14,000	7,099	(6,901)
Interest income	10,000	10,000	2,315	(7,685)
Miscellaneous income	50,000	50,000	48,728	(1,272)
Permits and fees	1,001	1,001	1,664	663
Designated surplus	100,000	100,000	0	(100,000)
Total Revenues	3,131,032	3,003,543	2,889,519	(114,024)
<b><u>Expenditures:</u></b>				
General Government:				
Administration:				
Election expenses	\$ 1,000	\$ 1,000	\$ 973	\$ 27
Office expenses	5,650	5,650	2,571	3,079
Professional fees	16,700	16,700	14,745	1,955
Salaries - commissioners	38,720	38,720	38,720	0
Total Administration	62,070	62,070	57,009	5,061
Operations:				
Salaries and wages	\$ 1,875,325	\$ 1,747,836	\$ 1,637,903	\$ 109,933
Fringe benefits	741,496	741,496	699,051	42,445
Advertising	750	750	406	344
Apparatus and equipment maintenance	31,000	31,000	23,854	7,146
Bond service fees	280	280	0	280
Building maintenance	33,040	33,040	25,097	7,943
Computers and repairs	5,000	5,000	3,314	1,686
EMS supplies	3,000	3,000	2,037	963
Equipment testing	7,000	7,000	3,651	3,349
Fire prevention	5,000	5,000	4,011	989
Firefighting equipment	2,000	2,000	1,828	172
Grant - matching funds	10,000	10,000	2,900	7,100
Insurance	37,307	37,307	35,795	1,512
Rent - hydrant	145,064	145,064	145,033	31
Training	5,300	5,300	4,304	996
Uniforms and gear	12,520	12,520	7,330	5,190
Utilities	50,995	50,995	47,988	3,007
Total Operations	2,965,077	2,837,588	2,644,502	193,086
Total General Government	3,027,147	2,899,658	2,701,511	198,147

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

**HAMILTON TOWNSHIP FIRE DISTRICT No. 3**

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP Budgetary Basis) - General Fund

For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Capital Outlay				
Payment of capital lease and loan principal	\$ 83,853	\$ 83,853	\$ 84,059	\$ (206)
Interest on capital lease and loan	20,032	20,032	20,216	(184)
Total Capital Outlay	<u>103,885</u>	<u>103,885</u>	<u>104,275</u>	<u>(390)</u>
Total Expenditures	<u>3,131,032</u>	<u>3,003,543</u>	<u>2,805,786</u>	<u>197,757</u>
Excess of Revenues Over Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 83,733</u>	<u>\$ 83,733</u>

Reconciliation of Budget Basis to GAAP Basis:

Excess of Revenues Over Expenditures - Budget Basis	\$ 83,733
Depreciation is not an outflow of a budgetary resource but is an expenditure for financial reporting purposes	(139,996)
FEMA grant revenue was not a 2010 budget item therefore it is not an inflow of a budgetary resource but is revenue for financial reporting purposes	38,482
Payment of principal on capital leases and notes payable is an outflow of a budgetary resource but is not an expenditure for financial reporting purposes	<u>84,059</u>
Excess of Revenues Over Expenditures - GAAP Basis	<u>\$ 66,278</u>

## **HAMILTON TOWNSHIP FIRE DISTRICT No. 3**

Notes to Required Supplementary Information

For the Year Ended December 31, 2010

### **NOTE 1 – BUDGETS/BUDGETARY CONTROL**

Annual budgets are prepared each year for the operations of the fire district. The budgets are approved by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The budgets are then voted upon by the public, at the annual fire district election held on the third Saturday in February. Budgetary transfers may be made during the last two months of the year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

**OTHER SUPPLEMENTARY INFORMATION**

**HAMILTON TOWNSHIP FIRE DISTRICT No. 3**  
Schedule of Supplemental Fire Services Grant Expenditure Report  
For the Year Ended December 31, 2010

REVENUE

State of New Jersey Supplemental Fire Services Grant \$ 7,099

Total revenue \$ 7,099

EXPENDITURES

Firefighting equipment and gear \$ 7,099

Total expenditures \$ 7,099



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*

To the Board of Fire Commissioners  
Hamilton Township Fire District No. 3  
Hamilton, New Jersey

We have audited the financial statements of the governmental activities of Hamilton Township Fire District No. 3 as of and for the year ended December 31, 2010, and have issued our report thereon dated June 15, 2011. 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.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hamilton Township Fire District No. 3'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*.

We noted certain matters that we reported to management of Hamilton Township Fire District No. 3 in a separate letter dated June 15, 2011.



This report is intended solely for the information and use of the board of commissioners, management, and the State of New Jersey Department of Community Affairs, Division of Local Government Services and is not intended to be and should not be used by anyone other than these specified parties.

*DePietto & DePietto, LLC*

Holland, Pennsylvania

June 15, 2011

**HAMILTON TOWNSHIP FIRE DISTRICT No. 3**

General Comments and Recommendations

For the Year Ended December 31, 2010

This section identifies any significant deficiencies and instances of non-compliance related to the December 31, 2010 financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**COMMENTS**

None

**RECOMMENDATIONS**

None

**PRIOR YEAR COMMENTS**

None