

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Financial Statements and Supplementary Information
Year Ended December 31, 2011

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Financial Statements and Supplementary Information
Year Ended December 31, 2011

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HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Roster of Officials

For the Year Ended December 31, 2011

Board of Fire Commissioners

Joseph Zalescik, Chairman

Patrick Gribbin, Vice-Chairman

David Brenner, Treasurer

Gilbert Lugossy, Secretary

James Gramigna, Commissioner

Other Officials

Szaferman, Lakind, Blumstein & Blader, P.C., Attorneys at Law



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, 2011, 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, 2011, 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 8, 2012, 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 considered in assessing 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 25 through 26 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 8, 2012

REQUIRED SUPPLEMENTARY INFORMATION

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Management's Discussion and Analysis

For the Year Ended December 31, 2011

(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, 2011. 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 2011 are as follows:

In total, net assets increased \$174,424 from 2010.

General revenues accounted for \$3,438,608 or 100% of all revenues.

The District had \$3,138,824 in expenses not including \$125,360 of depreciation for 2011. General revenues (primarily taxes) of \$3,438,608 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, 2011.

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 Activities 2011</u>	<u>Governmental Activities 2010</u>
Current and Other Assets	\$1,221,439	\$ 990,705
Capital Assets, net of accumulated depreciation	<u>593,306</u>	<u>718,666</u>
Total Assets	<u>\$1,814,745</u>	<u>\$1,709,371</u>
Liabilities and Net Assets:		
Total Liabilities	\$ 369,810	\$ 438,860
Net Assets:		
Invested in Capital Assets, net of related debt	291,609	329,052
Reserves for building, fire apparatus and fringe benefits	454,242	436,135
Unrestricted	<u>699,084</u>	<u>505,324</u>
Total Net Assets	<u>1,444,935</u>	<u>1,270,511</u>
Total Liabilities and Net Assets	<u>\$1,814,745</u>	<u>\$1,709,371</u>

As Table 1 indicates, total assets increased by \$105,374 from \$1,709,371 to \$1,814,745 during the year ended December 31, 2011. This is comprised of an increase in cash and cash equivalents of \$216,272, an increase in accounts receivable of \$15,060, a decrease in prepaid expenses of \$598, and a decrease of \$125,360 in capital assets due to recording depreciation expense. Total liabilities reflect a decrease of \$69,050. This includes a decrease in accounts payable and accrued expenses of \$3,262, an increase in pension and pension loan payable of \$15,903, an increase in payroll and payroll taxes payable of \$6,226, and repayment of \$87,917 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 \$174,424 from \$1,270,511 to \$1,444,935. That increase is due to \$174,424 of revenues exceeding expenses in 2011. In addition, net assets invested in capital assets, net of related debt, decreased by \$37,443 due to \$87,917 decrease in principal on the capital lease and notes payable and a \$125,360 increase in accumulated depreciation. There was an increase of \$18,107 in reserves for building, fire apparatus and fringe benefits. This includes designations of unrestricted net assets of an increase of \$2,208 in reserves for the building, a

decrease of \$97 in reserves for fire apparatus, no increase in reserves for emergency overtime pay, and a \$15,996 increase in reserves for post-retirement sick pay.

Table 2
Condensed Statement of Activities

	<u>Governmental</u> <u>Activities</u> <u>2011</u>	<u>Governmental</u> <u>Activities</u> <u>2010</u>
REVENUES:		
General Revenues:		
Property Taxes	\$3,235,443	\$2,818,042
Basic entitlement grant	14,199	7,099
Other revenue	<u>188,966</u>	<u>102,860</u>
Total Revenues	<u>\$3,438,608</u>	<u>\$2,928,001</u>
EXPENSES:		
Administration	\$ 60,053	\$ 57,009
Cost of Operations and Maintenance	3,188,163	2,784,498
Interest Expense – Debt Service	<u>15,968</u>	<u>20,216</u>
Total Expenses	<u>3,264,184</u>	<u>2,861,723</u>
Increase in Net Assets	<u>\$ 174,424</u>	<u>\$ 66,278</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 \$510,607 or 17.43%. 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 \$402,461 or 14.06%. The change was due primarily to an increase in salaries and fringe benefits and expenditures for firefighting equipment paid for by the FEMA grant.

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 94.1% of revenues for governmental activities for Hamilton Township Fire District No. 3 for 2011. The District’s total revenues were \$3,438,608 for the year ended December 31, 2011. The state and federal grants accounted for another 3.9% of revenue, and other miscellaneous revenue accounted for the remaining 2.0%.

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 \$3,438,608 and expenditures were \$3,264,184. The change in fund balance for the year in the general fund was an increase of \$174,424. There was an increase of \$15,996 in fund balance committed for post-retirement sick pay to continue 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, 2011, and the amount of increases and decreases in relation to prior year revenues.

Table 3
Summary of Revenues – General Fund

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease) from 2010</u>
Revenue:			
Local Sources:			
Amount to be Raised by Taxation	\$3,235,443	\$2,818,042	\$417,401
Miscellaneous	69,828	64,378	5,450
Federal and State sources	<u>133,337</u>	<u>45,581</u>	<u>87,756</u>
Total	<u>\$3,438,608</u>	<u>\$2,928,001</u>	<u>\$510,607</u>

The following schedule presents a summary of the expenditures of the General Fund for the year ended December 31, 2011, and the amount of increases and decreases in relation to prior year amounts.

Table 4
Summary of Expenditures – General Fund

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease) from 2010</u>
Expenditures:			
Administration	\$ 60,053	\$ 57,009	\$ 3,044
Cost of Operations and Maintenance	3,188,163	2,784,498	403,665
Interest expense	<u>15,968</u>	<u>20,216</u>	<u>(4,248)</u>
Total	<u>\$3,264,184</u>	<u>\$2,861,723</u>	<u>\$402,461</u>

Capital Assets

At the end of the year 2011, the District had \$593,306 invested in buildings, fire equipment, telecommunications and security equipment, fire apparatus and office furniture and equipment. Table 5 shows 2011 balances compared to 2010. The District purchased no new assets during 2011

Table 5
Capital Assets (Net of Depreciation)

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease) from 2010</u>
Building	\$116,835	\$155,779	\$ (38,944)
Building Improvements	70,637	78,793	(8,156)
Fire Apparatus	394,618	440,372	(45,754)
Firefighting Equipment	6,190	24,378	(18,188)
Office Furniture and Equipment	0	0	0
Other Vehicles	0	12,547	(12,547)
Telecommunications Equipment	<u>5,026</u>	<u>6,797</u>	<u>(1,771)</u>
Total	<u>\$593,306</u>	<u>\$718,666</u>	<u>\$(125,360)</u>

Economic Factors and Next Years Budget

For the 2011 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 94% of total revenue is from the local tax levy, while the remaining 6% is from other sources. The tax rate levy per \$100 of property valuation increased from \$.00697 in 2010 to \$.00810 in 2011.

The Board of Fire Commissioners adopted the 2011 budget on January 11, 2011 and the voters subsequently approved the budget and the referendum, at the annual fire district election held on February 19, 2011. The 2012 budget was approved by the State of New Jersey in January of 2012 and subsequently approved by voters in elections held on February 18, 2012.

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, 2011

Governmental Funds

	<u>General Fund</u>	<u>Total</u>	<u>Adjustments (Note 11)</u>	<u>Statement of Net Assets</u>
ASSETS				
Cash and cash equivalents	\$ 1,203,141	\$1,203,141	\$ 0	\$ 1,203,141
Accounts receivable	15,060	15,060	0	15,060
Capital assets, net of accumulated depreciation	0	0	593,306	593,306
Prepaid expenses	3,238	3,238	0	3,238
Total assets	<u>\$ 1,221,439</u>	<u>\$1,221,439</u>	<u>\$ 593,306</u>	<u>\$ 1,814,745</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 8,007	\$ 8,007	\$ 0	\$ 8,007
Deferred compensation liability	371	371	0	371
Payroll and payroll taxes payable	43,798	43,798	0	43,798
Pension and pension loan payable	15,937	15,937	0	15,937
Long-term liabilities:				
Due within one year	0	0	81,655	81,655
Due after one year	0	0	220,042	220,042
Total liabilities	<u>68,113</u>	<u>68,113</u>	<u>301,697</u>	<u>369,810</u>
FUND BALANCES/NET ASSETS				
Fund balances:				
Unassigned	699,084	699,084	(699,084)	0
Assigned:				
For building reserves	190,822	190,822	(190,822)	0
For fire apparatus reserves	121,000	121,000	(121,000)	0
For other fringe benefits reserves	10,000	10,000	(10,000)	0
Committed				
For post retirement sick pay benefits	132,420	132,420	(132,420)	0
Total fund balances	<u>1,153,326</u>	<u>1,153,326</u>	<u>(1,153,326)</u>	<u>0</u>
Total liabilities and fund balances	<u>\$ 1,221,439</u>	<u>\$1,221,439</u>	<u>(851,629)</u>	<u>369,810</u>

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

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Statement of Net Assets and Governmental Funds Balance Sheet

December 31, 2011

Governmental Funds

	<u>General Fund</u>	<u>Total</u>	<u>Adjustments (Note 11)</u>	<u>Statement of Net Assets</u>
Net assets:				
Invested in capital assets, net of related debt			291,609	291,609
Reserve for building			190,822	190,822
Reserve for fire apparatus			121,000	121,000
Reserve for post retirement sick pay benefits			132,420	132,420
Reserve for other fringe benefits			10,000	10,000
Unrestricted			699,084	699,084
			<hr/>	<hr/>
Total net assets			1,444,935	1,444,935
			<hr/>	<hr/>
Total liabilities and net assets			\$ 593,306	\$ 1,814,745
			<hr/>	<hr/>

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

HAMILTON TOWNSHIP FIRE DISTRICT No. 3Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2011

	<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	\$ 60,053	\$ 60,053	\$ 0	\$ 60,053
Fire protection - operations	3,188,163	3,188,163	0	3,188,163
Interest expense - debt service	15,968	15,968	0	15,968
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures/expenses	3,264,184	3,264,184	0	3,264,184
General revenues:				
Taxes	3,235,443	3,235,443	0	3,235,443
Basic entitlement grant	14,199	14,199	0	14,199
FEMA Assistance to Firefighters grant	119,138	119,138	0	119,138
Interest income	1,663	1,663	0	1,663
Miscellaneous income	68,165	68,165	0	68,165
Transfers - internal activities	0	0	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
Total general revenues and transfers	3,438,608	3,438,608	0	3,438,608
Excess of revenues and transfers in over expenditures and transfers out				
	174,424	174,424	(174,424)	0
Changes in net assets				
	0	0	174,424	174,424
Fund balance/net assets:				
Beginning of the year	1,270,511	1,270,511	0	1,270,511
	<hr/>	<hr/>	<hr/>	<hr/>
End of the year	<u>\$1,444,935</u>	<u>\$1,444,935</u>	<u>\$ 0</u>	<u>\$1,444,935</u>

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

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2011

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, 2011

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, 2011.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2011

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, 2011

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, 2011 were \$817,455 and \$385,686, respectively. The interest rate varied for 2011.

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, 2011, the District’s deposits of \$1,203,141 are classified as Category 1 deposits.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3
Notes to the Financial Statements
December 31, 2011

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	169,512	0	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	2,568,029	0	0	2,568,029
Less: Total Accumulated Depreciation	<u>1,849,363</u>	<u>125,360</u>	<u>0</u>	<u>1,974,723</u>
 Total Capital Assets, Being Depreciated, Net	 <u>718,666</u>	 <u>(125,360)</u>	 <u>0</u>	 <u>593,306</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 718,666</u>	 <u>\$(125,360)</u>	 <u>\$ 0</u>	 <u>\$ 593,306</u>

Depreciation expense of \$125,360 was charged to governmental activities as part of its cost of operations. There were no capital assets purchased in 2011.

NOTE 4 – ACCRUED EXPENSES

Accrued expenses include professional fees that were incurred for the year ended December 31, 2011 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, 2011 was \$301,697. Interest expense for the year ended December 31, 2011 was \$15,682.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2011

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 few years until maturity are estimated as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	81,655	11,906	93,561
2013	84,202	9,359	93,561
2014	87,416	6,145	93,561
2015	<u>48,424</u>	<u>2,234</u>	<u>50,658</u>
Total	<u>\$301,697</u>	<u>\$29,644</u>	<u>\$331,341</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 was paid off in 2011. Interest expense for the year ended December 31, 2011 was \$286.

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

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 2011, the District had a total of \$454,242 in designated reserves. There was \$121,000 in reserves for fire apparatus, \$190,822 in reserves for building and building improvements, \$10,000 in reserves for state of emergency overtime and \$132,420 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, 2011

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, 2011. The District received and expended \$14,199 for the year ended December 31, 2011.

FEMA Assistance to Firefighters Grant

On June 6, 2011, the District was awarded a grant (Grant #EMW-2010-FO-01664) for a total of \$120,423 from FEMA under its Assistance to Firefighters Grant Program to purchase firefighting gear and pay for other expenses. The grant period of performance was from April 1, 2011 to March 31, 2012. The total equipment cost \$120,423 and was purchased from Municipal Emergency Services, Inc. The District was required to match 5% of the amount expended. This was accomplished by paying for a portion of the equipment with District funds. No other funds were utilized. All expenditures were made in 2011.

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 was 8.5% of the employee's base salary until October 1, 2011 when state statute changed it to 10%. 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, 2011 was \$353,078.

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, 2011, the accrued sick pay due employees under the terms of the contract at death or retirement was \$132,420. See Note 10.

Uniforms

All employees are provided with the necessary uniforms. New uniforms were purchased in 2011 at a cost of \$7,332.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2011

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 \$297,820 for the year ended December 31, 2011. Also see Note 10.

Dental coverage is also provided for the employee and his family. The cost of this benefit was \$20,085.

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, 2011. 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. The Fire Chief does not get compensated for the holiday but gets each holiday off.

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, 2011

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.

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, 2011

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

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 \$437 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, 2011 was \$292,576 of which \$5,244 was for retirees, which equaled the required contributions for each year. There was one retired participant eligible as of December 31, 2011.

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, 2011, the accrued sick pay due employees under the terms of the contract at death or retirement was \$132,420.

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, 2011

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, 2010 and 2011 and continues to bill them at that rate in 2012.

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 as of April 30, 2012, the litigation is still ongoing. They had a Case Management Conference with Judge Jacobsen on April 23, 2012. They discussed a new settlement proposal with the Judge. They say it is very reasonable and would contain some type of rate increase forgiveness component for the fire districts (partial forgiveness with time to pay to complete forgiveness or anywhere in between). If the case does not settle soon, the Judge intends to refer them to mediation.

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, 2011 is \$188,461.

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, 2011

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u> Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 3,235,443	\$ 3,235,443	\$ 3,235,443	\$ 0
Grants	255,009	255,009	119,138	(135,871)
Basic entitlement grant	14,000	14,000	14,199	199
Interest income	5,000	5,000	1,663	(3,337)
Miscellaneous income	50,000	50,000	68,165	18,165
Permits and fees	1,000	1,000	0	(1,000)
Designated surplus	24,885	24,885	0	(24,885)
	<u>3,585,337</u>	<u>3,585,337</u>	<u>3,438,608</u>	<u>(146,729)</u>
Total Revenues	3,585,337	3,585,337	3,438,608	(146,729)
<u>Expenditures:</u>				
General Government:				
Administration:				
Election expenses	\$ 1,000	\$ 1,000	\$ 897	\$ 103
Office expenses	5,650	5,650	4,934	716
Professional fees	15,200	15,200	15,502	(302)
Salaries - commissioners	38,720	38,720	38,720	0
Total Administration	<u>60,570</u>	<u>60,570</u>	<u>60,053</u>	<u>517</u>
Operations:				
Salaries and wages	\$ 1,906,827	\$ 1,906,827	\$ 1,722,177	\$ 184,650
Fringe benefits	899,860	899,860	887,086	12,774
Advertising	750	750	103	647
Apparatus and equipment maintenance	31,000	31,000	39,179	(8,179)
Bond service fees	280	280	0	280
Building maintenance	24,540	24,540	20,925	3,615
Computers and repairs	14,000	14,000	15,749	(1,749)
EMS supplies	3,000	3,000	1,647	1,353
Equipment testing	6,000	6,000	4,160	1,840
Fire prevention	500	500	75	425
Firefighting equipment	281,864	281,864	121,670	160,194
Grant - matching funds	0	0	4,985	(4,985)
Insurance	40,000	40,000	39,292	708
Rent - hydrant	145,064	145,064	145,033	31
Training	5,300	5,300	4,901	399
Uniforms and gear	9,520	9,520	9,701	(181)
Utilities	52,377	52,377	46,120	6,257
Total Operations	<u>3,420,882</u>	<u>3,420,882</u>	<u>3,062,803</u>	<u>358,079</u>
Total General Government	<u>3,481,452</u>	<u>3,481,452</u>	<u>3,122,856</u>	<u>358,596</u>

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
Capital Outlay				
Payment of capital lease and loan principal	\$ 80,555	\$ 80,555	\$ 171,976	\$ (91,421)
Interest on capital lease and loan	23,330	23,330	15,968	7,362
Total Capital Outlay	<u>103,885</u>	<u>103,885</u>	<u>187,944</u>	<u>(84,059)</u>
Total Expenditures	<u>3,585,337</u>	<u>3,585,337</u>	<u>3,310,800</u>	<u>274,537</u>
Excess of Revenues				
Over Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 127,808</u>	<u>\$ 127,808</u>

Reconciliation of Budget Basis to GAAP Basis:

Excess of Revenues Over Expenditures - Budget Basis	\$ 127,808
Depreciation is not an outflow of a budgetary resource but is an expenditure for financial reporting purposes	(125,360)
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>171,976</u>
Excess of Revenues Over Expenditures - GAAP Basis	<u>\$ 174,424</u>

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to Required Supplementary Information

For the Year Ended December 31, 2011

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, 2011

REVENUE

State of New Jersey Supplemental Fire Services Grant \$ 14,199

Total revenue \$ 14,199

EXPENDITURES

Firefighting equipment and gear \$ 14,199

Total expenditures \$ 14,199

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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, 2011, and have issued our report thereon dated June 8, 2012. 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

Management of Hamilton Township Fire District No. 3 is responsible for establishing and maintaining effective 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 8, 2012.

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 8, 2012

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

General Comments and Recommendations

For the Year Ended December 31, 2011

This section identifies any material weaknesses and instances of non-compliance related to the December 31, 2011 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