

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Financial Statements and Supplementary Information
Year Ended December 31, 2012

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Financial Statements and Supplementary Information
Year Ended December 31, 2012

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HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Roster of Officials

For the Year Ended December 31, 2012

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Hamilton Township Fire District No. 3, in the County of Mercer, State of New Jersey, as of December 31, 2012, 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.



Other Matters

Required Supplementary Information

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

Other Information

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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, we have also issued our reports dated September 16, 2013, 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 those reports 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. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hamilton Township Fire District No. 3's internal control over financial reporting and compliance.

DePietto & DePietto, LLC

Holland, Pennsylvania
September 16, 2013

REQUIRED SUPPLEMENTARY INFORMATION

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Management's Discussion and Analysis

For the Year Ended December 31, 2012

(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, 2012. 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 2012 are as follows:

In total, net position increased \$275,088 from 2011.

General revenues accounted for \$6,283,878 or 100% of all revenues.

Per generally accepted accounting principles (GAAP) basis, the District had \$6,008,790 in expenses including \$108,144 of depreciation for 2012. General revenues (primarily taxes) of \$6,283,878 were adequate to provide for these programs, resulting in a change in net position of \$275,088.

Per Non-GAAP budgetary basis, the District had \$6,052,191 in expenditures and capital outlay and \$6,283,878 of actual revenue which resulted in \$231,687 of excess revenues over expenditures. The District did not have to utilize any of the \$3,662 of designated surplus of unrestricted funds noted in the 2012 budget.

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 Position 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 Revenues, Expenditures and Changes in Net Position and Governmental Fund Revenues, Expenditures and Changes in Fund Balances identify the District's revenues and expenses for the year ended December 31, 2012.

Financial Analysis of the District

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

Net Position

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

**Table 1
Condensed Statement of Net Position**

	<u>Governmental Activities 2012</u>	<u>Governmental Activities 2011</u>
Current and Other Assets	\$1,528,186	\$1,221,439
Capital Assets, net of accumulated depreciation	<u>555,174</u>	<u>593,306</u>
Total Assets	<u>\$2,083,360</u>	<u>\$1,814,745</u>
Liabilities and Net Position:		
Total Liabilities	\$ 363,337	\$ 369,810
Net Position:		
Invested in Capital Assets, net of related debt	335,010	291,609
Restricted for building, fire apparatus and fringe benefits	462,620	454,242
Unrestricted	<u>922,393</u>	<u>699,084</u>
Total Net Position	<u>1,720,023</u>	<u>1,444,935</u>
Total Liabilities and Net Position	<u>\$2,083,360</u>	<u>\$1,814,745</u>

As Table 1 indicates, total assets increased by \$268,615 from \$1,814,745 to \$2,083,360 during the year ended December 31, 2012. This is comprised of an increase in cash and cash equivalents of \$260,739, an increase in accounts receivable, including grants receivable, of \$47,753, a decrease in prepaid expenses of \$1,745, and a decrease of \$38,132 in capital assets due to recording depreciation expense of \$108,144 and purchasing a truck and foam trailer for \$70,012. Total liabilities reflect a decrease of \$6,473. This includes an increase in accounts payable and accrued expenses of \$78,099, a decrease in pension and pension loan payable of \$15,829, an increase in payroll and payroll taxes payable of \$12,790, and repayment of \$81,533 in long-term debt as the District continued to make scheduled payments on the note payable.

Table 1 also indicates that total net position increased by \$275,088 from \$1,444,935 to \$1,720,023. That increase is due to \$275,088 of revenues exceeding expenses in 2012. In addition, net assets invested in capital assets, net of related debt, increased by \$43,401 due to an \$81,533 decrease in principal on the note payable, a \$108,444 increase in accumulated depreciation and an increase in capital assets of \$70,012. There was an increase of \$8,378 in reserves for building, fire apparatus and fringe benefits. The increase of \$8,378 was an adjustment to the restricted reserves for post-retirement sick pay.

Table 2
Condensed Statement of Revenues, Expenditures and Changes in Net Position

	<u>Governmental Activities 2012</u>	<u>Governmental Activities 2011</u>
REVENUES:		
General Revenues:		
Property Taxes	\$3,511,221	\$3,235,443
Basic entitlement state grant	14,199	14,199
Federal grants	2,182,627	119,138
Other revenue	<u>575,831</u>	<u>69,828</u>
Total Revenues	<u>\$6,283,878</u>	<u>\$3,438,608</u>
EXPENDITURES:		
Administration	\$ 64,881	\$ 60,053
Cost of Operations and Maintenance	5,931,831	3,188,163
Interest Expense – Debt Service	<u>12,078</u>	<u>15,968</u>
Total Expenditures	<u>6,008,790</u>	<u>3,264,184</u>
Increase in Net Position	<u>\$ 275,088</u>	<u>\$ 174,424</u>

The Statement of Revenues, Expenditures and Changes in Net Position identifies the various revenue and expense items which affect the change in net position. Table 2 indicates that the District's total revenues increased by \$2,845,270 or 82.7%. 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 \$2,744,606 or 84.1%. The change was due primarily to an increase in salaries and fringe benefits and expenditures for communications 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 55.9% of revenues for governmental activities for Hamilton Township Fire District No. 3 for 2012. The District's total revenues were \$6,283,878 for the year ended December 31, 2012. The state and federal grants accounted for another 34.9% of revenue, shared service income that was related to the FEMA grant 8.1% and other miscellaneous revenue accounted for the remaining 1.1%.

The Statement of Revenues, Expenditures and Changes in Net Position 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 \$6,283,878 and expenditures were \$6,008,790. The change in fund balance for the year in the general fund was an increase of \$275,088. There was an increase of \$8,378 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, 2012, and the amount of increases and decreases in relation to prior year revenues.

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

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease) from 2011</u>
Revenue:			
Local Sources:			
Amount to be Raised by Taxation	\$3,511,221	\$3,235,443	\$ 275,778
Miscellaneous	575,831	69,828	506,003
Federal and State sources	<u>2,196,826</u>	<u>133,337</u>	<u>2,063,489</u>
Total	<u>\$6,283,878</u>	<u>\$3,438,608</u>	<u>\$2,845,270</u>

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

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

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease) from 2011</u>
Expenditures:			
Administration	\$ 64,881	\$ 60,053	\$ 4,828
Cost of Operations and Maintenance	5,931,831	3,188,163	2,743,668
Interest expense	<u>12,078</u>	<u>15,968</u>	<u>(3,890)</u>
Total	<u>\$6,008,790</u>	<u>\$3,264,184</u>	<u>\$2,744,606</u>

Capital Assets

At the end of the year 2012, the District had \$555,174 invested in buildings, fire equipment, telecommunications and security equipment, fire apparatus and office furniture and equipment. Table 5 shows 2012 balances compared to 2011. The District purchased a quick-attach vehicle and foam trailer for \$70,012 during 2012. Federal grant funding was used for the purchase.

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

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease) from 2011</u>
Building	\$77,891	\$116,835	\$ (38,944)
Building Improvements	63,271	70,637	(7,366)
Fire Apparatus	348,864	394,618	(45,754)
Firefighting Equipment	25,115	6,190	18,925
Office Furniture and Equipment	0	0	0
Other Vehicles	36,434	0	36,434
Telecommunications Equipment	<u>3,599</u>	<u>5,026</u>	<u>(1,427)</u>
Total	<u>\$555,174</u>	<u>\$593,306</u>	<u>\$(38,132)</u>

Economic Factors and Next Years Budget

For the 2012 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 55.9% of total revenue is from the local tax levy, while the remaining 44.1% is from other sources including federal and state grants. The tax rate levy per \$100 of property valuation decreased from \$.00800 in 2011 to \$.00790 in 2012.

The Board of Fire Commissioners adopted the 2012 budget on January 9, 2012 and the voters subsequently approved the budget, at the annual fire district election held on February 18, 2012. The 2013 budget was approved by the State of New Jersey in February of 2013 and subsequently approved by voters in elections held in March 2013.

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 Position and Governmental Funds Balance Sheet

December 31, 2012

Governmental Funds

	<u>General Fund</u>	<u>Total</u>	<u>Adjustments (Note 12)</u>	<u>Statement of Net Position</u>
ASSETS				
Cash and cash equivalents	\$ 1,463,880	\$ 1,463,880	\$ 0	\$ 1,463,880
Accounts receivable	62,813	62,813	0	62,813
Capital assets, net of accumulated depreciation	0	0	555,174	555,174
Prepaid expenses	1,493	1,493	0	1,493
	<u>1,493</u>	<u>1,493</u>	<u>0</u>	<u>1,493</u>
Total assets	<u>\$ 1,528,186</u>	<u>\$ 1,528,186</u>	<u>\$ 555,174</u>	<u>\$ 2,083,360</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 86,106	\$ 86,106	\$ 0	\$ 86,106
Deferred compensation liability	0	0	0	0
Payroll and payroll taxes payable	56,588	56,588	0	56,588
Pension and pension loan payable	479	479	0	479
Long-term liabilities:				
Due within one year	0	0	4,819	4,819
Due after one year	0	0	215,345	215,345
	<u>0</u>	<u>0</u>	<u>215,345</u>	<u>215,345</u>
Total liabilities	<u>143,173</u>	<u>143,173</u>	<u>220,164</u>	<u>363,337</u>
FUND BALANCES/NET POSITION				
Fund balances:				
Unassigned	922,393	922,393	(922,393)	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	140,798	140,798	(140,798)	0
	<u>140,798</u>	<u>140,798</u>	<u>(140,798)</u>	<u>0</u>
Total fund balances	<u>1,385,013</u>	<u>1,385,013</u>	<u>(1,385,013)</u>	<u>0</u>
Total liabilities and fund balances	<u>\$ 1,528,186</u>	<u>\$ 1,528,186</u>	<u>(1,164,849)</u>	<u>363,337</u>

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

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Statement of Net Position and Governmental Funds Balance Sheet

December 31, 2012

Governmental Funds

	<u>General Fund</u>	<u>Total</u>	<u>Adjustments (Note 12)</u>	<u>Statement of Net Position</u>
Net position:				
Invested in capital assets, net of related debt			335,010	335,010
Restricted for building			190,822	190,822
Restricted for fire apparatus			121,000	121,000
Restricted for post retirement sick pay benefits			140,798	140,798
Restricted for other fringe benefits			10,000	10,000
Unrestricted			922,393	922,393
Total net position			<u>1,720,023</u>	<u>1,720,023</u>
Total liabilities and net position			<u>\$ 555,174</u>	<u>\$ 2,083,360</u>

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

HAMILTON TOWNSHIP FIRE DISTRICT No. 3Statement of Revenues, Expenditures and Changes in Net Position
and Governmental Fund Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2012

	<u>Governmental Funds</u>			<u>Statement of</u>
	<u>General Fund</u>	<u>Total</u>	<u>Adjustments</u> <u>(Note 12)</u>	<u>Revenues,</u> <u>Expenditures</u> <u>and Changes in</u> <u>Net Position</u>
Expenditures/expenses:				
Fire protection - administration	\$ 64,881	\$ 64,881	\$ 0	\$ 64,881
Fire protection - operations	5,931,831	5,931,831	0	5,931,831
Interest expense - debt service	12,078	12,078	0	12,078
Total expenditures/expenses	<u>6,008,790</u>	<u>6,008,790</u>	<u>0</u>	<u>6,008,790</u>
General revenues:				
Taxes	3,511,221	3,511,221	0	3,511,221
Basic entitlement grant	14,199	14,199	0	14,199
FEMA Assistance to Firefighters grant	2,117,961	2,117,961	0	2,117,961
FEMA Port Security grant	64,666	64,666	0	64,666
Interest income	1,052	1,052	0	1,052
Miscellaneous income	62,757	62,757	0	62,757
Shared services income	512,022	512,022	0	512,022
Transfers - internal activities	0	0	0	0
Total general revenues and transfers	<u>6,283,878</u>	<u>6,283,878</u>	<u>0</u>	<u>6,283,878</u>
Excess of revenues and transfers in over expenditures and transfers out	275,088	275,088	(275,088)	0
Changes in net position/fund balance	0	0	275,088	275,088
Fund balance/net position:				
Beginning of the year	<u>1,444,935</u>	<u>1,444,935</u>	<u>0</u>	<u>1,444,935</u>
End of the year	<u>\$ 1,720,023</u>	<u>\$ 1,720,023</u>	<u>\$ 0</u>	<u>\$ 1,720,023</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, 2012

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 position and the statement of revenues, expenditures and changes in net position) 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 revenues, expenditures and changes in net position 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, 2012

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.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 position.

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, 2012.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2012

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 11.

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.

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, 2012

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, 2012 were \$1,077,273 and \$386,607, respectively. The interest rate on the money market account was .5% for 2012.

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, 2012, the District’s deposits of \$1,463,880 are classified as Category 1 deposits.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3
Notes to the Financial Statements
December 31, 2012

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	26,291	0	189,220
Office furniture and equipment	24,882	0	0	24,882
Other vehicles	77,212	43,721	0	120,933
Telecommunications equipment	<u>24,961</u>	<u>0</u>	<u>0</u>	<u>24,961</u>
Total Capital Assets, Being Depreciated	2,568,029	70,012	0	2,638,041
Less: Total Accumulated Depreciation	<u>1,974,723</u>	<u>108,144</u>	<u>0</u>	<u>2,082,867</u>
Total Capital Assets, Being Depreciated, Net	<u>593,306</u>	<u>(38,132)</u>	<u>0</u>	<u>555,174</u>
Governmental Activities Capital Assets, Net	<u>\$ 593,306</u>	<u>\$(38,132)</u>	<u>\$ 0</u>	<u>\$ 555,174</u>

Depreciation expense of \$108,144 was charged to governmental activities as part of its cost of operations. The District purchased a quick-attach vehicle and foam trailer for \$70,012 during 2012. Federal grant funding was used for the purchase.

NOTE 4 – ACCRUED EXPENSES

Accrued expenses include professional fees that were incurred for the year ended December 31, 2012 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, 2012 was \$220,164. Interest expense for the year ended December 31, 2012 was \$12,078.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2012

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>
2013	84,202	9,359	93,561
2014	87,416	6,145	93,561
2015	<u>48,546</u>	<u>2,234</u>	<u>50,780</u>
Total	<u>\$220,164</u>	<u>\$17,738</u>	<u>\$237,902</u>

NOTE 6 – UNRESTRICTED NET POSITION

Unrestricted net position at December 31, 2012 totaled \$922,393. Of that amount, \$60,000 is anticipated to be utilized as designated surplus in the 2013 budget.

NOTE 7 – NET POSITION RESTRICTED 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 2012, the District had a total of \$462,620 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 \$140,798 for post retirement sick pay benefits. For information about post retirement sick pay calculations and health benefits see Note 11.

NOTE 8 – 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 \$14,000 for the year ended December 31, 2012. The District received and expended \$14,199 for the year ended December 31, 2012.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2012

NOTE 8 – GRANTS (CONTINUED)

FEMA U.S. Department of Homeland Security, Assistance to Firefighters Grant, Operations and Safety Program

On March 8, 2012 the District was awarded a grant (Grant #EMW-2011-FR-00266) from FEMA U.S. Department of Homeland Security under its Assistance to Firefighters Grant Program, Operations and Safety Program to purchase new communications equipment for all of the counties fire apparatus and personnel. The Mercer County government had agreed to build the infrastructure of a new County Wide Communications System for Interoperability. Each fire department was responsible for the purchase of their subscriber units for the system. Subscriber units were mobile radios, portable radios, etc. Hamilton Fire District No. 3 acted as the fiduciary agent and managed the grant. The total budget, for the Regional FEMA grant, including amendments, is \$2,828,627. The federal government's share is 80% or \$2,262,901 and the fire departments are responsible for matching 20% or \$565,726. The grant period of performance, including amendments, is from March 28, 2012 to October 27, 2013. Through December 31, 2012, \$2,647,345 of total costs was expended. The federal government's share was \$2,117,961 and the fire departments matched \$565,726 including \$23,461 for Hamilton Township Fire District No. 3's share. The balance of the grant is anticipated to be expended by October 27, 2013.

FEMA U.S. Department of Homeland Security, Port Security Grant Program

On November 22, 2011, the District was awarded a grant (Grant #2009-PU-T9-K005) from the Sector Delaware Bay Area Maritime Security Committee as part of FEMA U.S. Department of Homeland Security, Port Security Grant Program to purchase a utility truck, foam trailer and foam. The Maritime Exchange for the Delaware River and Bay was the fiduciary agent and managed the grant. The total budget, for the grant, including amendments, was \$86,221. The federal government's share was 75% or \$64,666 and Hamilton Township Fire District No. 3's share was \$21,555. The grant period of performance, including amendments, was from November 22, 2011 to May 31, 2012. The grant funds were received and expended, in accordance with the grant requirements, by May 31, 2012.

NOTE 9 – 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, 2012 was \$299,395.

NOTE 10 - 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.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2012

NOTE 10 - EMPLOYEE POLICIES (CONTINUED)

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, 2012, the accrued sick pay due employees under the terms of the contract at death or retirement was \$140,798. See Note 11.

Uniforms

All employees are provided with the necessary uniforms. New uniforms were purchased in 2012 at a cost of \$3,238.

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 \$361,557 for the year ended December 31, 2012. Also see Note 11.

Dental coverage is also provided for the employee and his family. The cost of this benefit was \$17,936.

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, 2012. 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.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2012

NOTE 11 – 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 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.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2012

NOTE 11 – OTHER POST-RETIREMENT BENEFITS (CONTINUED)

HEALTHCARE (CONTINUED)

Plan Description (continued)

- 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.

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 \$445 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, 2012 was \$361,557 of which \$5,340 was for retirees, which equaled the required contributions for each year. There was one retired participant eligible as of December 31, 2012.

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to the Financial Statements

December 31, 2012

NOTE 11 – OTHER POST-RETIREMENT BENEFITS (CONTINUED)

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, 2012, the accrued sick pay due employees under the terms of the contract at death or retirement was \$140,798.

NOTE 12 – STATEMENT OF NET POSITION – ADJUSTMENTS

In order to present the statement of net position 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 position accomplish that task.

NOTE 13 – RISK MANAGEMENT

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

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 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.

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, 2012

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 3,511,221	\$ 3,511,221	\$ 3,511,221	\$ 0
FEMA Assistance to Firefighters grant - Regional	2,265,302	2,265,302	2,117,961	(147,341)
FEMA Assistance to Firefighters grant	49,638	49,638	0	(49,638)
FEMA Port Security grant	52,025	52,025	64,666	12,641
Basic entitlement grant	14,000	14,000	14,199	199
Interest income	5,000	5,000	1,052	(3,948)
Miscellaneous income	52,500	52,500	62,757	10,257
Shared services income	542,227	542,227	512,022	(30,205)
Designated surplus	3,662	3,662	0	(3,662)
Total Revenues	6,495,575	6,495,575	6,283,878	(211,697)
<u>Expenditures:</u>				
General Government:				
Administration:				
Election expenses	\$ 1,000	\$ 1,000	\$ 804	\$ 196
Office expenses	5,930	5,930	2,744	3,186
Professional fees	22,600	22,600	22,613	(13)
Salaries - commissioners	38,720	38,720	38,720	0
Total Administration	68,250	68,250	64,881	3,369
Operations:				
Salaries and wages	\$ 1,988,121	\$ 1,988,121	\$ 1,878,958	\$ 109,163
Fringe benefits	998,353	998,353	905,499	92,854
Advertising	750	750	228	522
Apparatus and equipment maintenance	37,000	37,000	46,644	(9,644)
Building maintenance	25,540	25,540	31,304	(5,764)
Communications	2,867,477	2,867,477	2,650,949	216,528
Computers and repairs	8,745	8,745	8,500	245
EMS supplies	3,000	3,000	2,190	810
Equipment testing	7,000	7,000	4,266	2,734
Fire prevention	2,000	2,000	0	2,000
Firefighting equipment	72,542	72,542	109,330	(36,788)
Insurance	41,600	41,600	43,393	(1,793)
Rent - hydrant	145,064	145,064	145,033	31
Training	62,050	62,050	9,776	52,274
Uniforms and gear	21,880	21,880	12,834	9,046
Utilities	52,643	52,643	44,795	7,848
Total Operations	6,333,765	6,333,765	5,893,699	440,066
Total General Government	6,402,015	6,402,015	5,958,580	443,435

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, 2012

	<u>Budgeted Amounts</u>			<u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Capital Outlay				
Payment of loan principal	\$ 81,106	\$ 81,106	\$ 81,533	\$ (427)
Interest on loan	12,454	12,454	12,078	376
Total Capital Outlay	<u>93,560</u>	<u>93,560</u>	<u>93,611</u>	<u>(51)</u>
Total Expenditures	<u>6,495,575</u>	<u>6,495,575</u>	<u>6,052,191</u>	<u>443,384</u>
Excess of Revenues Over Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 231,687</u>	<u>\$ 231,687</u>

Reconciliation of Budget Basis to GAAP Basis:

Excess of Revenues Over Expenditures - Budget Basis	\$ 231,687
Depreciation is not an outflow of a budgetary resource but is an expenditure for financial reporting purposes	(108,144)
Utilization of the designated surplus is an inflow of a budgetary resource but is not income for financial reporting purposes	0
FEMA Port Security grant expenditure for the purchase of a quick attack vehicle and foam trailer is an outflow of a budgetary resource but a capital expenditure for financial reporting purposes	70,012
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	81,533
Excess of Revenues Over Expenditures - GAAP Basis	<u>\$ 275,088</u>

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Notes to Required Supplementary Information

For the Year Ended December 31, 2012

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, 2012

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

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2012

Federal/State Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Identifying Number	Award Amount	Total Awards Expended
<u>Federal Expenditures:</u>				
U.S. Department of Homeland Security				
Assistance to Firefighters Grant Program:				
Operations and Safety Program	97.044	EMW-2011-FR-00266	\$ <u>2,262,901</u>	\$ 2,117,961
U.S. Department of Homeland Security				
Port Security Grant Program:				
Pass-through from the Sector Delaware Bay Area				
Maritime Security Committee:				
Maritime Exchange for the Delaware River and Bay (Fiduciary)	97.056	2009-PU-T9-K005	\$ <u>64,666</u>	64,666
Total Federal Expenditures			\$ <u>2,182,627</u>	

HAMILTON TOWNSHIP FIRE DISTRICT No. 3
Notes to Schedule of Expenditures of Federal Awards
December 31, 2012

NOTE 1 – GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all the federal award programs of Hamilton Township Fire District No.3. Hamilton Township Fire District No.3 is defined in Note 1 to the District's general-purpose financial statements (GASB 34 Model– basic financial statements). All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule of expenditures of federal awards.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting. This basis of accounting is described in Note 1 to the District's general-purpose financial statements (GASB 34 Model– basic financial statements).

NOTE 3 – RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agree with amounts reported in the District's general-purpose financial statements. The general-purpose financial statements present the general fund on a GAAP basis. Federal awards are reported in the District's general-purpose financial statements on a GAAP basis in the general fund. The total amount of federal awards reported was \$2,182,627.

NOTE 4 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports.

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Independent Auditor's 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Hamilton Township Fire District No. 3 as of and for the year ended December 31, 2012, and have issued our report thereon dated September 16, 2013.

Internal Control Over Financial Reporting

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

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 September 16, 2013.

Purpose of this Report

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

DePietto & DePietto, LLC

Holland, Pennsylvania
September 16, 2013



Independent Auditor's Report on Compliance for Each Major Program; Report
on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal
Rewards Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited Hamilton Township Fire District No. 3's, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Hamilton Township Fire District No. 3's major federal programs for the year ended December 31, 2012. Hamilton Township Fire District No. 3's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hamilton Township Fire District No. 3's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hamilton Township Fire District No. 3's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hamilton Township Fire District No. 3's compliance.

Opinion on Each Major Federal Program

In our opinion, Hamilton Township Fire District No. 3, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of Hamilton Township Fire District No. 3 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hamilton Township Fire District No. 3's internal control over compliance with the types of requirements that



could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hamilton Township Fire District No. 3's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities and each major fund of Hamilton Township Fire District No. 3 as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Hamilton Township Fire District No. 3' basic financial statements. We have issued our report thereon dated September 16, 2013 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

DePietto & DePietto, LLC

Holland, Pennsylvania
September 16, 2013

HAMILTON TOWNSHIP FIRE DISTRICT No. 3

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2012

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major programs Unqualified

Any audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No

Identification of major programs:

U.S Department of Homeland Security
Assistance to Firefighters Grant Program
Operations and Safety Program
CFDA #97.044

Dollar threshold used to distinguish between Type A and Type B Programs: \$2,117,961

Auditee qualifies as low-risk auditee? No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None