

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010
WITH
INDEPENDENT AUDITOR'S REPORT**

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON**

**FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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MOHEL ELLIOTT BAUER & GASS

A P R O F E S S I O N A L A S S O C I A T I O N

FOUNDED IN 1926 BY SIDNEY MOHEL

CERTIFIED PUBLIC ACCOUNTANTS

1339 RIVER AVENUE, P.O. BOX 261, LAKEWOOD, NEW JERSEY 08701-5615
732/363-6500 FAX: 732/363-0675



Independent Auditor's Report

**Board of Fire Commissioners
District No. 1
Township of Jackson**

We have audited the accompanying financial statements of The Board of Fire Commissioners District No.1 Township of Jackson as of and for the years ended December 31, 2011 and 2010, as listed in the Table of Contents. These financial statements are the responsibility of the Board of Fire Commissioners' management. Our responsibility is to express an opinion 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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board of Fire Commissioners District No. 1 Township of Jackson as of December 31, 2011 and 2010, and the results of its operations, and the changes in its fund balances and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 5 and page 15, 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.

MOHEL ELLIOTT BAUER & GASS

A P R O F E S S I O N A L A S S O C I A T I O N

CERTIFIED PUBLIC ACCOUNTANTS

**Board of Fire Commissioners
District No. 1
Township of Jackson**

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Board of Fire Commissioners District No. 1 Township of Jackson taken as a whole. The accompanying schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic 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 information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Mohe Elliott Bauer & Gass

June 11, 2012

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Our discussion and analysis of District No. 1 Township of Jackson financial performance provides an overview of the district's financial activities for the year ended December 31, 2011. Please review it in conjunction with the Districts' basic financial statements which begin on Page 6.

Financial Highlights

- Total net assets decreased \$34,895 which represents a 2.90 percent decrease from 2010. \$89,162 was the deficiency of revenues over expenditures in the general fund, \$47,179 was the increase in net assets restricted for capital projects and \$7,088 was the increase in net assets invested in capital projects.
- The amount raised by taxation was \$449,500 or 96.69 percent of all revenues. Interest, grant funds and other income amounted to \$15,368 or 3.31 percent of all revenues.
- Total program expenses have increased \$3,394 or 0.68 percent. Significant changes in expenses were as follows:

Depreciation decreased \$21,849, truck repairs and maintenance decreased \$3,241, interest expense decreased \$2,735, office expenses decreased \$1,921, and utilities decreased \$1,559. Significant increases were capital appropriations, \$35,000, fire suppression contract, \$5,000, employee benefits, \$3,572 and radio repairs and maintenance, \$3,248.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on page 6 and 7) provide information about the activities of the District as a whole. Fund financial statements start on page 8. These statements tell how these services were financed. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the District as a whole begins on page 6. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statements of Net Assets and the Statements of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in them. You can think of the District's net assets—the difference between assets and liabilities—as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating.

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2011**

Reporting the District's Most Significant Funds

Fund Financial Statements

Our analysis of the District's major funds begins on page 8. The fund financial statements provide detailed information about the most significant funds-not the District as a whole.

General Fund - Most of the District's basic services are reported in the general fund, which focuses on how money flows into and out of the funds and the balances left at year-end that are available for spending. The general fund statements provide a detailed *short-term view* of the District's general operations and the basic services it provides. General fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District as a Whole

The District's total net assets decreased; \$34,895 to \$1,168,878 or 2.90 percent. Details of the changes are reflected on page 7.

Original Versus Final Budget

Page 15 reflects the variances between the original and final budgeted amounts.

Final Budget Versus Actual Results

As reflected on page 15, the District operated within budgetary constraints. Actual expenses were under the final budget by \$3,504.

Capital Assets

At year end, the District had \$2,157,180 in total capital assets. During 2011 the District acquired a spreader for \$7,065 and made needed improvements to the firehouse totaling \$63,630.

Debt Administration

As of December 31, 2011 \$65,081 was outstanding on a lease purchase agreement with Kansas State Bank. For additional information please refer to the footnote on page 13, capital lease obligation payable.

Economic Factors and Next Year's Budget and Rates

The District's governing body considered many factors when setting the 2012 budget and tax rates including the economy, the rate of inflation and planned future capital projects. Ratables for the District have decreased \$3,102,333. The proposed tax will be \$0.098, an increase of .002 per \$100 of assessed valuation. The amount to be raised by taxation will increase \$6,700.

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2011**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board Clerk at 81 South Hope Chapel Road, Jackson, NJ 08527.

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON**

**STATEMENTS OF NET ASSETS
DECEMBER 31, 2011 AND 2010**

| | 2011 | 2010 |
|--|--------------|--------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 530,744 | \$ 620,426 |
| Investments | 174,545 | 172,722 |
| Accounts receivable - other | | 3,256 |
| Capital assets, net | 770,704 | 825,836 |
| Total assets | 1,475,993 | 1,622,240 |
| LIABILITIES | | |
| Accounts payable and accrued expenses | 85,284 | 128,716 |
| Deferred revenue | 156,750 | 162,450 |
| Capital lease obligation payable | 65,081 | 127,301 |
| Total liabilities | 307,115 | 418,467 |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 705,623 | 698,535 |
| Restricted for capital projects | 253,179 | 206,000 |
| Unrestricted | 210,076 | 299,238 |
| Total net assets | \$ 1,168,878 | \$ 1,203,773 |

The accompanying notes are an integral
part of these financial statements.

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON**

**STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2011 AND 2010**

| | 2011 | 2010 |
|--|--------------|--------------|
| Expenses: | | |
| Personnel services | \$ 44,400 | \$ 36,841 |
| Material and services | 306,555 | 303,262 |
| Depreciation | 125,827 | 147,676 |
| Capital outlays | 17,126 | |
| Interest expense | 5,855 | 8,590 |
| Total program expenses | 499,763 | 496,369 |
| Program revenues: | | |
| Charges for services | - | - |
| Net program expenses | 499,763 | 496,369 |
| General revenues: | | |
| Amount raised by taxation | 449,500 | 439,840 |
| Interest income | 2,287 | 1,748 |
| Other income | 7,381 | 1,900 |
| Cell tower income | 5,700 | 5,700 |
| New Jersey SFSP Grant | - | 3,256 |
| Total general revenues | 464,868 | 452,444 |
| Increase (decrease) in net assets | (34,895) | (43,925) |
| Net assets - beginning of year | 1,203,773 | 1,247,698 |
| Net assets - end of year | \$ 1,168,878 | \$ 1,203,773 |

The accompanying notes are an integral
part of these financial statements

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT
OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2011

| | <u>General Fund</u> | <u>Restricted Fund</u> | <u>Other Funds</u> | <u>Total</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|--|-------------------------|----------------------------|------------------------|---------------------|---------------------|--|
| Revenues: | | | | | | |
| Amount raised by taxation | \$ 314,500 | \$ 135,000 | \$ - | \$ 449,500 | \$ - | \$ 449,500 |
| Interest income | 2,287 | - | - | 2,287 | - | 2,287 |
| Other income | 7,381 | - | - | 7,381 | - | 7,381 |
| Cell tower income | 5,700 | - | - | 5,700 | - | 5,700 |
| Total revenues | <u>329,868</u> | <u>135,000</u> | <u>-</u> | <u>464,868</u> | <u>-</u> | <u>464,868</u> |
| Expenditures: | | | | | | |
| Personnel services | 44,400 | - | - | 44,400 | - | 44,400 |
| Materials and services | 306,555 | - | - | 306,555 | - | 306,555 |
| Depreciation | - | 87,821 | - | 87,821 | 125,827 (70,695) | 125,827 17,126 |
| Capital outlays | - | - | - | - | - | - |
| Debt service: | - | - | - | - | - | - |
| Principal | 62,220 | - | - | 62,220 | (62,220) | - |
| Interest | 5,855 | - | - | 5,855 | - | 5,855 |
| Total expenditures | <u>419,030</u> | <u>87,821</u> | <u>-</u> | <u>506,851</u> | <u>(7,088)</u> | <u>499,763</u> |
| Excess (deficiency) of revenues over expenditures | (89,162) | 47,179 | - | (41,983) | 41,983 | - |
| Change in net assets | - | - | - | - | (34,895) | (34,895) |
| Fund balance/net assets | | | | | | |
| Beginning of year | 299,236 | 206,000 | 698,535 | 1,203,773 | - | 1,203,773 |
| Net adjustments | - | - | 7,088 | 7,088 | - | - |
| End of year | <u>\$ 210,076</u> | <u>\$ 253,179</u> | <u>\$ 705,623</u> | <u>\$ 1,168,878</u> | <u>\$ -</u> | <u>\$ 1,168,878</u> |

The accompanying notes are an integral
part of these financial statements.

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

| | <u>2011</u> | <u>2010</u> |
|--|--------------------|--------------------|
| Cash flows from operating activities: | | |
| Cash received from operations | \$ 447,056 | \$ 430,884 |
| Cash paid to suppliers and employees | (417,368) | (260,983) |
| Interest income received | 2,287 | 1,748 |
| Other income | 13,081 | 7,600 |
| New Jersey SFSP Grant | | 3,256 |
| Net cash provided (used) by operating activities | <u>45,056</u> | <u>182,505</u> |
| Cash flow from investing activities: | | |
| Capital expenditures | (70,695) | (14,000) |
| Reduction of debt | (62,220) | (59,483) |
| Maturity of investments | | |
| Purchase of investments | (1,823) | (641) |
| Net cash provided (used) by investing activities | <u>(134,738)</u> | <u>(74,124)</u> |
| Net increase in cash and cash equivalents | (89,682) | 108,381 |
| Cash and cash equivalents at beginning of year | <u>620,426</u> | <u>512,045</u> |
| Cash and cash equivalents at end of year | <u>\$ 530,744</u> | <u>\$ 620,426</u> |
| Reconciliation of change in net assets to net cash provided (used) by operating activities: | | |
| Change in net assets | \$ <u>(34,895)</u> | \$ <u>(43,925)</u> |
| Adjustments to reconcile change in net assets to cash provided by operating activities | | |
| Depreciation | 125,827 | 147,676 |
| Change in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Accounts receivable - other | 3,256 | (3,256) |
| Prepaid insurance | | 4,780 |
| Increase (decrease) in: | | |
| Deferred revenue | (5,700) | (5,700) |
| Accounts payable and accrued expenses | <u>(43,432)</u> | <u>82,930</u> |
| Total adjustments | <u>79,951</u> | <u>226,430</u> |
| Net cash provided (used) by operating activities | <u>\$ 45,056</u> | <u>\$ 182,505</u> |

The accompanying notes are an integral part of these financial statements.

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON**

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The Board of Fire Commissioners District No. 1 (the "District") is a corporate body created for the purpose of prevention and extinguishment of fires and regulation of fire hazards within the District. The District is governed by Commissioners ("Board") that acts as the governing body. The Board is comprised of five elected Commissioners.

The Board of Commissioners annually appoints the Chair(person) of the Board from existing board members. The Chair responsibilities are to preside at all meetings of the Board; be the chief officer of the District; perform all duties commonly incident to the position of presiding officer of a board, commission or business organization and exercise supervision over the business of the District, its officers and employees to the extent set forth in their bylaws.

The accompanying statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The financial statements include all organizations, activities, and functions that comprise the District.

Fund Accounting - The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses governmental funds.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The District reports the following major governmental funds:

General Fund - The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws and the bylaws of the District.

Restricted Fund - Restricted Fund is used to account for funds restricted for capital projects.

Other Funds - Other Funds are used to account for invested in capital assets, net of related debt.

Basis of Accounting - The financial statements of the Board of Fire Commissioners District No. 1 Township of Jackson have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

(Continued)

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inventories of Supplies - Purchases of materials and supplies are recognized and recorded as expenditures when they are acquired, regardless of when used.

Reclassifications - Certain reclassifications have been made to the 2010 financial statements to conform with the 2011 presentation.

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

Cash and Cash Equivalents - For purposes of reporting cash flows, cash and cash equivalents include cash on hand and investments with an initial maturity of three months or less.

Related Party Transactions - District No. 1 has one fire company within its jurisdiction. (Whitesville Volunteer Fire Co.)

Reservations of Fund Balance - The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore, are not available for appropriations or expenditure in the general fund balance sheet. Unreserved fund balance indicates that portion of fund equity, which is available for appropriations, in future periods. Fund equity reserves have been established for capital projects.

Net Assets - Net assets present the difference between assets and liabilities in the statements of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

Capital Assets - General capital assets generally result from expenditures in the reserve for capital projects. These assets are reported on the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$5,000. 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.

Subsequent Events - The District has evaluated subsequent events through June 11, 2012, the date the financial statements were available to be issued.

(Continued)

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

FIRE CODE ENFORCEMENT

The Board of Fire Commissioners, District No. 1, Jackson Township, has entered into a contract for fire protection services, with the Board of Fire Commissioners, District No. 3, Jackson Township, and as part of the contract, the Board of Commissioners by unanimous vote of all the Commissioners, meeting on October 4, 2005, approved the transferring of all responsibility and authority to the Board of Fire Commissioners, District No. 3, to oversee the fire code enforcement for the territorial area of the Board of Fire Commissioners, District No. 1, beginning January 1, 2006. This authority shall remain in effect until revoked by any future Resolutions adopted by the Board of Fire Commissioners, District No. 1, Jackson Township.

SITE LEASE WITH OPTION - CELL PHONE TOWER

The Board of Fire Commissioners, District No. 1, Township of Jackson (landlord) has entered into a rental lease agreement with Mobilite Investments II, LLC (tenant). Term of lease is thirty (30) years commencing July 17, 2009. The purchase price paid at closing was \$171,000. The rental is being amortized over three hundred sixty (360) months at \$475 per month.

Permitted Use - Premises may be used by tenant for transmission and reception of radio communication signals.

LENGTH OF SERVICE AWARD PROGRAMS

The fire district's Length of Service Awards Program ("LOSAP") was created by the Fire District Resolution approved on November 4, 2003 pursuant to Section 457 (e) (11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the length of Service Award Program as enacted into federal law in 1997. The voters of Township of Jackson, New Jersey Fire District No. 1 approved the adoption of the Plan at the election held on February 21, 2004, and the first year of eligibility for entrance into the Plan by qualified volunteers was calendar year 2004. The plan provides tax deferred income benefits to active volunteer firefighters. Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Fire District or its creditors.

CAPITAL ASSETS

Capital assets together with accumulated depreciation and estimated useful lives consists of the following:

| | <u>2011</u> | <u>2010</u> | <u>Estimated Useful Life (Years)</u> |
|--------------------------------|--------------------|--------------------|--|
| Assets | | | |
| Land | \$ 15,000 | \$ 15,000 | |
| Building | 400,000 | 400,000 | 27.5 |
| Apparatus | 1,592,726 | 1,592,726 | 10 |
| Vehicles and equipment | 85,824 | 78,759 | 5 |
| Firehouse improvements | 63,630 | | 40 |
| | <u>2,157,180</u> | <u>2,086,485</u> | |
| Less: accumulated depreciation | <u>(1,386,476)</u> | <u>(1,260,649)</u> | |
| | <u>\$ 770,704</u> | <u>\$ 825,836</u> | |

(Continued)

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON
NOTES TO FINANCIAL STATEMENTS
(Continued)
YEARS ENDED DECEMBER 31, 2011 AND 2010**

CAPITAL LEASE OBLIGATION PAYABLE

Voters approved the purchase of a 1500 GPM Rear Rescue Pumper in the amount of \$525,000 at a special election held on September 5, 2006. The cost of the truck was financed by a capital lease/purchase and a down payment coming from the Reserve for Future Capital Outlays. On November 30, 2007 the Board entered into a lease/purchase agreement with Kansas State Bank to purchase a 2008 Rear Pump Rescue Pumper. The terms of the lease require the principal repayment of \$300,000 to be paid in five annual installments beginning October 1, 2008 at 4.599%.

The following schedule of future lease payments under the lease together with the present value of the lease payments as of December 31, 2011 and 2010:

| <u>Due Date</u> | <u>2011</u> | <u>2010</u> |
|------------------------------------|------------------|-------------------|
| October 1, 2011 | \$ | \$ 68,074 |
| October 1, 2012 | <u>68,074</u> | <u>68,074</u> |
| Total lease payments | 68,074 | 136,148 |
| Less: amount representing interest | <u>(2,993)</u> | <u>(8,847)</u> |
| Present value of lease payments | <u>\$ 65,081</u> | <u>\$ 127,301</u> |

ACCOUNTS PAYABLE AND ACCRUED EXPENSES

| | <u>2011</u> | <u>2010</u> |
|---------------------------|------------------|-------------------|
| Accounts payable | \$ 58,911 | \$ 7,904 |
| Accrued L.O.S.A.P. | 17,468 | 112,337 |
| Accrued professional fees | <u>8,905</u> | <u>8,475</u> |
| | <u>\$ 85,284</u> | <u>\$ 128,716</u> |

(Continued)

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON**

**NOTES TO FINANCIAL STATEMENTS
(Continued)
YEARS ENDED DECEMBER 31, 2011 AND 2010**

FAIR VALUE MEASUREMENTS

The District uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosure.

FASB ASC topic 820, fair value measurements and disclosures establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC topic 820 are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Significant other observable inputs.
- Level 3: Significant unobservable inputs.

The carrying amount of cash, investments, accounts receivable, accounts payable and accrued expenses approximates fair value due to the short-term maturities of these instruments.

SUPPLEMENTARY INFORMATION

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2011**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---|-------------------------|----------------|--------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Budgetary</u> | <u>Final Budget</u> |
| | | | <u>Basis</u> | <u>Favorable</u> |
| | | | | <u>(Unfavorable)</u> |
| Revenues | | | | |
| Amount raised by taxation | \$ 484,500 | \$ 484,500 | \$ 449,500 | \$ (35,000) |
| Interest income | 6,500 | 6,500 | 2,287 | (4,213) |
| New Jersey State Supplemental Fire Service Program | | | | - |
| Cell tower income | 5,700 | 5,700 | 5,700 | - |
| Miscellaneous revenue | | | 7,381 | 7,381 |
| Restricted fund balance utilized | | | | - |
| Unrestricted fund balance utilized | 60,834 | 60,834 | 60,834 | - |
| Total revenues | <u>557,534</u> | <u>557,534</u> | <u>525,702</u> | <u>(31,832)</u> |
| Expenditures | | | | |
| Administrative | | | | |
| Commissioners | 4,400 | 4,400 | 4,400 | - |
| Employee benefits | | 17,575 | 17,566 | 9 |
| Insurance premiums | 35,000 | 18,750 | 18,730 | 20 |
| Professional fees | 18,000 | 18,425 | 18,413 | 12 |
| Utilities | 13,000 | 13,225 | 13,214 | 11 |
| Firehouse maintenance and repairs | 10,000 | 16,800 | 16,788 | 12 |
| Fuel, oil and gas - building | 8,000 | 7,400 | 7,017 | 383 |
| Fire equipment | 13,000 | 17,400 | 17,400 | - |
| Repairs, maintenance and testing equipment | 13,400 | 5,650 | 5,559 | 91 |
| Truck repairs and maintenance | 15,000 | 24,250 | 24,204 | 46 |
| Hydrants | 18,000 | 18,275 | 18,270 | 5 |
| Fire suppression contract | 5,000 | 5,000 | 5,000 | - |
| Contractual service for fire protection | 165,000 | 150,000 | 150,000 | - |
| General expenses | 960 | 1,460 | 1,418 | 42 |
| Election expense | 600 | | | - |
| Office expenses | 600 | 600 | 303 | 297 |
| Advertising | 500 | - | | - |
| Training and education | 2,000 | 2,350 | 2,350 | - |
| Gas and oil - truck | 10,000 | 10,250 | 10,240 | 10 |
| Physicals | 2,000 | 2,650 | 2,616 | 34 |
| LOSAP | 20,000 | 20,000 | 17,468 | 2,532 |
| Capital appropriation | 135,000 | 135,000 | 135,000 | - |
| Debt service appropriation | 68,074 | 68,074 | 68,074 | - |
| Total expenditures | <u>557,534</u> | <u>557,534</u> | <u>554,030</u> | <u>3,504</u> |
| Excess of revenues over expenses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (28,328)</u> | <u>\$ (28,328)</u> |

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON

STATISTICAL INFORMATION**

PROPERTY TAX LEVIES:

Following is a tabulation of district assessed valuations, tax levies and property tax rates per \$100 of assessed valuations for the current and preceding three years:

| <u>Calendar Year</u> | <u>Valuations (Unaudited)</u> | <u>Assessed Total Tax Levy</u> | <u>Property Tax Rates</u> |
|--------------------------|-----------------------------------|--|-------------------------------|
| 12/31/2011 | \$ 503,957,600 | \$ 484,500 | 0.096 |
| 12/31/2010 | \$ 505,396,390 | \$ 439,840 | 0.087 |
| 12/31/2009 | \$ 217,046,000 | \$ 364,700 | 0.168 |
| 12/31/2008 | \$ 215,958,900 | \$ 353,800 | 0.164 |

UNRESERVED FUND BALANCE:

Following is a tabulation of unreserved fund balance and subsequent budget action thereon for the current and preceding three years:

| <u>Calendar Year Ended</u> | <u>End of Calendar Year</u> | <u>Utilization in Subsequent Budget</u> |
|------------------------------------|-------------------------------------|---|
| 12/31/2011 | \$ 210,076 | \$ 48,400 |
| 12/31/2010 | \$ 299,238 | \$ 60,834 |
| 12/31/2009 | \$ 303,113 | \$ 51,857 |
| 12/31/2008 | \$ 341,208 | \$ 28,500 |

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON

ROSTER OF OFFICIALS**

| <u>Name</u> | <u>Amount of Dishonesty Bond</u> |
|--|--|
| <u>Board of Commissioners</u> | |
| Dave Johnson, President | \$ 750,000 |
| Glen Blasi, Vice President | \$ 750,000 |
| Martin Flemming IV, Treasurer | \$ 750,000 |
| Robert Redington Jr., Secretary | \$ 750,000 |
| Martin Flemming III, Commissioner | \$ 750,000 |
| <u>Surety Name</u> | |
| American Alternative Insurance Corporation | |

**Board of Fire Commissioners
District No. 1
Township of Jackson**

**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**

We have audited the financial statements of Board of Fire Commissioners, District No. 1, Township of Jackson as of and for the year ended December 31, 2011, and have issued our report thereon dated June 11, 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 Board of Fire Commissioners, District No. 1, Township of Jackson is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Board of Fire Commissioners, District No. 1, Township of Jackson's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board of Fire Commissioners, District No. 1, Township of Jackson's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board of Fire Commissioners, District No. 1, Township of Jackson'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting, 2011-1. 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.

MOHEL ELLIOTT BAUER & GASS

A P R O F E S S I O N A L A S S O C I A T I O N

CERTIFIED PUBLIC ACCOUNTANTS

Board of Fire Commissioners
District No. 1
Township of Jackson

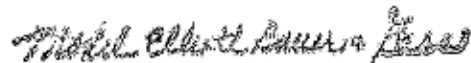
Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Board of Fire Commissioners, District No. 1, Township of Jackson'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2011-2

Board of Fire Commissioners, District No. 1, Township of Jackson's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Board of Fire Commissioners, District No. 1, Township of Jackson's response, and accordingly, we express no opinion on it.

This report is intended for the information and use of management of the Board of Fire Commissioners, District No. 1, Township of Jackson and the Division of Local Government Services. However, this report is a matter of public record and its distribution is not limited.



June 11, 2012

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON**

**SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2010**

SIGNIFICANT DEFICIENCIES

Finding: 2011-1

Criteria: Auditor drafting of client's financial statements

Condition: Bookkeeper does not have adequate technical training in the preparation of financial statements.

Response: Management plans to review, approve and accept responsibility for the financial statements prior to their issuance.

COMPLIANCE AND OTHER MATTERS

Finding: 2011-2

Criteria: Audit not completed and financial statements not filed with the Authority within four months after the close of the fiscal year as required by N.J.S.A. 40A: 5A-15.

Response: Management will have the books and records available prior to April 30, 2013 and the audit will be completed and financial statements filed with the Authority prior to April 30, 2013.