

**Jackson Township Fire District No. 2
County of Ocean
Jackson, New Jersey**

**Financial Statements
and
Reports on Audit**

December 31, 2010

**Jackson Township Fire District No 2
December 31, 2010**

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**Jackson Township Fire District No. 2
December 31, 2010**

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**Jackson Township Fire District No. 2
Roster of Commissioners
December 31, 2010**

James Hammond
President

Gary D. Poppe
Vice President

Steve Holmes
Secretary

John Poppe, Jr.
Treasurer

Mike McLaughlin
Commissioner



MARTHA C. CARROLL, CPA, LLC
Audit and Accounting Services

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Jackson Township Fire District No. 2
Jackson, New Jersey

I have audited the accompanying financial statements of the governmental activities and each major fund of the Board of Commissioners, Jackson Township Fire District No. 2 as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit 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 compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, State of New Jersey. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinions.

In my 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 the Board of Commissioners, Jackson Township Fire District No. 2 as of December 31, 2010, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

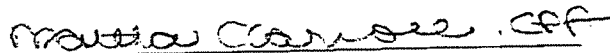
In accordance with *Government Auditing Standards*, I have also issued my report dated November 16, 2011 on my consideration of the Board of Commissioners, Jackson Township Fire District No. 2's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a required 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Board of Commissioners, Jackson Township Fire District No. 2's basic financial statements. The related major fund supporting statements and schedules listed in the table of contents are also presented for the purpose of additional analysis and are not a required part of the basic financial statements. These statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

Martha C. Carroll, CPA, LLC


Martha C. Carroll, CPA

Toms River, New Jersey
November 16, 2011



MARTHA C. CARROLL, CPA, LLC
Audit and Accounting Services

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

Board of Commissioners
Jackson Township Fire District No. 2
Jackson, New Jersey

I have audited the financial statements of the governmental activities and each major fund of the Board of Commissioners, Jackson Township Fire District No. 2, as of and for the year ended December 31, 2010, which collectively comprise the Board of Commissioners, Jackson Township Fire District No. 2's basic financial statements and have issued my report thereon dated November 16, 2011. I conducted my audit 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 compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Board's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, I 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 my audit and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, State of New Jersey.

This report is intended solely for the information and use of the Board of Commissioners and the Bureau of Authority Regulation and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Martha C. Carroll, CPA, LLC

Martha C. Carroll CPA

Toms River, New Jersey
November 16, 2011

**REQUIRED SUPPLEMENTARY INFORMATION
PART 1**

**JACKSON TOWNSHIP FIRE DISTRICT NO. 2
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

As management of Jackson Township Fire District No. 2, we offer readers of the Jackson Fire District No. 2 financial statements this narrative overview and analysis of the financial activities of the Jackson Township Fire District No. 2 for the year ended December 31, 2010. The intent of this narrative is to look at Jackson Township Fire District No. 2's overall financial performance in terms easily understood by the lay person. Please read this in conjunction with the transmittal letters beginning on page 2 and the District's financial statements which begin on page 16. Notes to the financial statements will provide the reader with additional useful information and they begin on page 23.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at December 31, 2010 by approximately \$1.88 million. In 2009 the excess was approximately \$1.77 million. This is an increase of approximately \$110,000 or 6.2%.
- During 2010 Jackson Township Fire District No. 2 operated at a surplus of approximately \$111,700. The surplus in 2009 was approximately \$91,800. This is an increase of approximately \$19,900 or 21.7%.
- The District's accounts payable increased by 9.3% in 2010. This is an increase of approximately \$10,200.
- The Board entered into a ten year lease purchase for fire apparatus. The increase in debt service was \$474,750.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. Jackson Township Fire District No. 2's basic financial statements are comprised of three components: district-wide financial statements; fund financial statements; and notes to the basic financial statements.

Reporting on the District as a Whole

Our analysis of the District as a whole begins on page 8. District-wide financial statements are provided to give the reader a broad overview of the District's financial position and its financial activity for the year. It is presented in a format similar to the private sector to give the reader a familiar point of reference.

The Statement of Net Assets presents information on all the assets and liabilities of Jackson Township Fire District No. 2. The difference between the two is reported as the District's net assets. Significant increases or decreases in the District's net assets can be an indication of the financial health of the District.

The Statement of Activities presents financial information about activities that result in the District's net assets increasing or decreasing during the year. Financial activities are recorded when the transactions occur rather than when the cash is received or paid out. As a result, there could be activities that result in cash flow in a future period.

The district-wide financial statements report on the financial data by function. Jackson Township Fire District No. 2 has two basic functions: activities that are supported by property taxes; and activities supported by other governmental activities. Jackson Township Fire District No. 2 provides firefighting services to the citizens of Jackson Township. The District also provides services for the enforcement of the state and local fire codes and fire prevention education.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, Jackson Township Fire District No. 2 uses fund accounting to document compliance with finance-related legal matters. Jackson Township Fire District No. 2 has two types of fund groups, governmental funds and fiduciary funds.

Governmental Funds

Jackson Township Fire District No. 2's activities are all reported in governmental funds. These funds record the flow of cash in and out of the District during the period and the balances remaining at year end for future periods. The modified accrual basis of accounting is utilized for reporting purposes. This method of accounting measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services that it provides. Governmental 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 services.

Jackson Township Fire District No. 2 maintains three separate governmental funds, the government fund, the capital fund, and the fiduciary fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital fund.

The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.

As required by N.J.S.A. 40A:14:78-3, Jackson Township Fire District No. 2 adopts an annual budget which is voted on by the legal voters of the district on the third Saturday in February. Budgetary comparison schedules have been prepared to document compliance with budgetary requirements

Fiduciary Funds

A fiduciary fund is used to hold and report funds that are being held in trust. The District maintains an agency fund for the accumulation of monies as the custodian for the volunteer firefighters' Length of Service Awards Program (LOSAP).

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements are an integral part of the financial statements.

DISTRICT-WIDE FINANCIAL ANALYSIS

Jackson Township Fire District No. 2's net assets are a useful indicator of the District's financial condition. At the end of 2010 the District's assets exceeded the liabilities by approximately \$1.88 million. The largest portion of Jackson Township Fire District No. 2's net assets (60.1%) is its investment in capital assets. The District uses these assets to provide fire-fighting services to the community; consequently, these assets are not available for future spending. Jackson Township Fire District No. 2's investment in capital assets is reported net of related debt. Since the capital assets are not available to liquidate the debt, other sources must be utilized for the repayment of the debt.

Statement of Net Assets

JACKSON TOWNSHIP FIRE DISTRICT NO. 2
NET ASSETS
DECEMBER 31, 2010

	2010	2009	\$ Increase (Decrease)	% Increase (Decrease)
Current and Other Assets	\$ 921,718	\$ 627,364	294,354	46.9%
Capital Assets	<u>1,616,834</u>	<u>1,322,798</u>	294,036	22.2%
Total Assets	2,538,552	1,950,162	588,390	30.2%
Other Liabilities	<u>(657,024)</u>	<u>(180,312)</u>	476,712	264.4%
Net Assets	<u>\$1,881,528</u>	<u>\$1,769,850</u>	111,678	6.3%

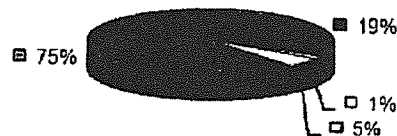
	2010	2009	\$ Increase (Decrease)	% Increase (Decrease)
Analysis of Net Assets				
Invested in Capital Assets Net of Related Debt	\$1,140,272	\$1,320,989	(180,717)	(13.7%)
Restricted for Capital Projects	567,394	342,391	225,003	65.7%
Restricted for Dedicated Penalties	32,101	22,502	9,599	42.7%
Unrestricted	<u>141,761</u>	<u>83,968</u>	57,793	68.8%
Total Net Assets	<u>\$1,881,528</u>	<u>\$1,769,850</u>	111,678	6.3%

2010 Net Assets



■ Invested in Net Assets
■ Capital Projects
■ Unrestricted
■ Dedicated Penalties

2009 Net Assets



■ Invested in Net Assets
■ Capital Projects
■ Unrestricted
■ Dedicated Penalties

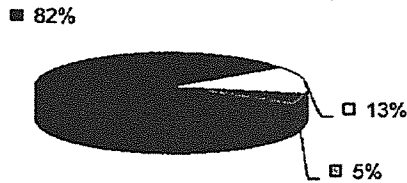
The net assets of Jackson Township Fire District No. 2 increased approximately \$111,700 during the 2010 period. This increase was due partially to the District's excess of revenues over expenditures. Other major changes in net assets at December 31, 2010 were a \$292,200 increase in cash, a \$10,200 increase in accounts payable, and a \$6,400 increase in receivables. The District added approximately \$294,000 of capital assets during the year. In 2010 the net capital assets were decreased by approximately \$180,700.

Governmental Activities

The Statement of Activities shows the cost of the governmental activities program services and the charges for services and grants offsetting these costs. A summary of these activities follows:

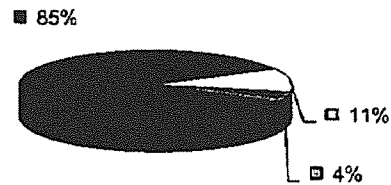
	2010	2009	\$ Increase (Decrease)	% Increase (Decrease)
Expenses				
Program Expenses				
Administrative Expenses	\$ 48,848	\$ 38,973	\$ 9,875	25.3%
Cost of Operations & Maintenance	823,025	777,755	45,270	5.8%
Operating Appropriations Offset With Revenues	<u>128,548</u>	<u>98,241</u>	30,307	30.8%
Total Program Expenses	1,000,421	914,969	85,452	9.3%

2010 Program Expenses



- Administrative
- Operations
- Expenses offset by Revenues

2009 Program Expenses

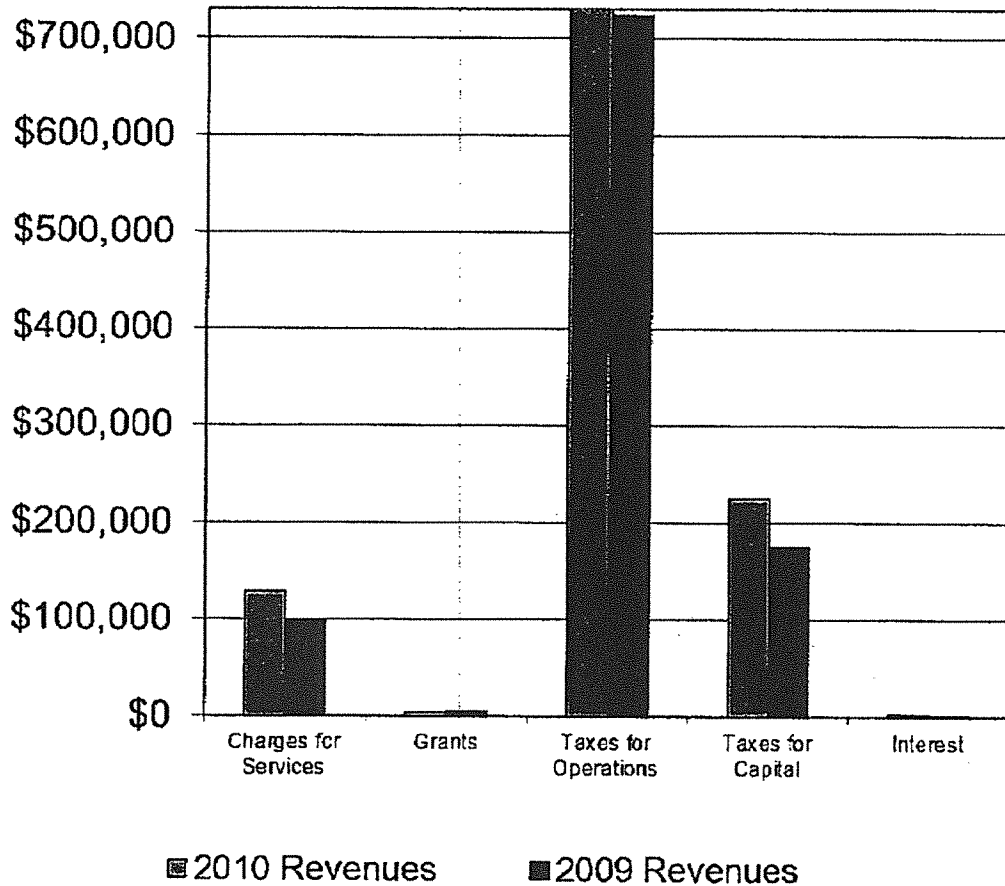


- Administrative
- Operations
- Expenses offset by Revenues

	2010	2009	\$ Increase (Decrease)	% Increase (Decrease)
Program Revenues				
Charges for Services	128,548	98,241	30,307	30.8%
Operating Grants & Contributions	<u>3,257</u>	<u>4,226</u>	(969)	22.9%
Net Program Expenses	<u>868,616</u>	<u>812,502</u>	56,114	6.9%

	2010	2009	\$ Increase (Decrease)	% Increase (Decrease)
General Revenues				
Property Taxes Levied for General Purposes	\$773,447	\$724,246	49,201	6.8%
Property Taxes Levied for Future Capital Purchases	225,000	175,000	50,000	28.6%
Unrestricted Investment Earnings	2,519	1,243	1,276	102.7%
Miscellaneous Income	<u>13,478</u>	<u>3,834</u>	9,644	251.5%
Total General Revenues	<u>1,014,444</u>	<u>904,323</u>	110,121	12.2%
Loss on sale of asset	<u>34,150</u>	<u>- 0 -</u>	34,150	100.0%
Increase in Net Assets	111,678	91,821	19,857	21.6%
Net Assets, January 1	<u>1,769,850</u>	<u>1,678,029</u>	91,821	5.5%
Net Assets, December 31	<u>\$1,881,528</u>	<u>\$1,769,850</u>	111,678	6.3%

Property Tax Revenues



Property tax revenue constituted 87% of the total governmental activities revenues received by Jackson Township Fire District No. 2 in 2010. In 2009 the property tax revenue constituted 89% of total revenues.

The Cost of Operations & Maintenance was 95% and 96% of the District's total net expenses in 2010 and 2009 respectively. Administration expenses equaled 5% and 4% of the total net expenses in 2010 and 2009.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

Jackson Township Fire District No. 2 uses fund accounting to document compliance with finance-related legal requirements.

Government Fund

The primary objective of the District's governmental funds is to report on cash flows in and out during the period and the ending balances of the spendable resources. This information is useful to evaluate the performance of the District and to assess its future needs and available resources.

As of December 31, 2010, the combined balance of the governmental cash funds of Jackson Township Fire District No. 2 was approximately \$865,200. This balance is approximately \$292,200 higher than last year's combined governmental cash funds balance. The increase is due primarily to the surplus generated in the Capital Fund.

The combined balance of the governmental funds of Jackson Township Fire District No. 2 was approximately \$709,700. None of the fund balance has been reserved. There has been \$76,000 of that amount designated for subsequent period appropriations in the 2010 budget.

The general fund is the main operating fund of Jackson Township Fire District No. 2. At the end of 2010, the total fund balance of the general fund was approximately \$158,300. Of this balance, \$76,000 was designated for the subsequent year.

During 2010 the general fund balance of Jackson Township Fire District No. 2 increased by approximately \$71,600. The primary reasons for this increase are as follows:

- The District increased their payables by approximately \$226,900.
- The District appropriated \$225,000 to the Capital Fund in 2010 for payment of future capital purchase.

- The Board's receivables increased by approximately \$6,400.
- The Board's general fund operated at a surplus of approximately \$71,600.
- The Board expended less funds than they projected and did not have to utilize as much accumulated surplus as anticipated.
- The Board received more in revenues than the anticipated 2010 Budget.

At the end of 2010, the District had a capital projects fund balance of approximately \$551,400. This balance increased by approximately \$225,000 from the previous year. The major changes in this fund balance were:

- A capital appropriation from the general fund of \$225,000.

General Fund Budgetary Highlights

UFSA revenues are a factor of enforcement. The amount of penalties cannot be accurately projected. Penalties assessed and collected in 2010 were approximately \$15,700, which was approximately \$13,000 higher than anticipated. The fees charged in 2010 were approximately \$27,900 higher than those in 2009, and constituted 12.4% of the operating revenues. The District was previously conducting inspections in another fire district in the township. In 2009 the other district began to perform their own inspections thus reducing the fees in District No. 2. In 2010 there will be no revenues from the other district which may be reflected in lower total fees collected in 2011.

The original budget had a \$10,700 projected deficit. This deficit was covered by utilization of unrestricted surplus accumulated from prior years. The Board did not have to utilize any of this surplus.

The District had total revenues greater than the budget by approximately \$34,100.

Overall, the District spent approximately \$48,200 less than originally anticipated in the budget for 2010.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2010 Jackson Township Fire District No. 2 had invested in capital assets for government activities \$1,615,000 (net of accumulated depreciation). Capital assets consist of firehouse improvements, fire apparatus, fire equipment, and office equipment. They purchased approximately \$532,700 of apparatus and equipment in 2010.

JACKSON TOWNSHIP FIRE DISTRICT NO. 2
CAPITAL ASSETS
(NET OF ACCUMULATED DEPRECIATION)
DECEMBER 31, 2010

	2010	2009	\$ Increase (Decrease)
Firehouse & Land	\$ 1,497,765	\$ 1,497,765	- 0 -
Vehicles & Apparatus	1,962,176	1,682,865	279,311
Equipment	<u>307,114</u>	<u>286,843</u>	20,271
Total Capital Assets	3,767,055	3,467,473	299,582
Accumulated Depreciation	<u>2,152,033</u>	<u>2,146,484</u>	5,549
Investment in Capital Assets – net	<u>\$ 1,615,022</u>	<u>\$ 1,320,989</u>	294,033

Additional information on Jackson Township Fire District No. 2's capital assets can be found in note 4 in the notes to the financial statements.

Long-Term Obligations

Jackson Township Fire District No. 2 entered into a lease purchase for a 2008 Rosenbauer Fire Apparatus in 2010. The lease purchase is for ten annual payments of \$63,771.88.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

In 2010, Jackson Township Fire District No. 2 was able to cover all its appropriations through the fire tax levy and other revenues. In 2010 the fire tax levy amounted to 87% of total revenue collected.

In 2011, Jackson Township Fire District No. 2 adopted their 2011 budget on January 13, 2011. The voters subsequently approved the budget at the February election. The 2011 budget reflects an increase of \$25,575 in the 2011 tax levy.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Jackson Township Fire District No. 2's finances for all of those with an interest in the District's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to John Poppe, Jackson Township Fire District No. 2, PO Box 47, Jackson, New Jersey, 08527.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Jackson Township Fire District No. 2
Statement of Net Assets
December 31, 2010

Exhibit A-1

Assets

Cash and cash equivalents	\$	265,660
Supplemental Fire Service Grant receivable		3,257
State and local fees receivable		23,595
Prepaid insurance		31,523
Restricted assets:		
Restricted cash and cash equivalents		599,495
Capital assets, net		<u>1,615,022</u>
Total Assets		<u>2,538,552</u>

Liabilities

Accounts payable and accrued expenses		119,173
LOSAP payable		15,000
Due to fire company		32,101
Improvement authorizations		16,000
Noncurrent liabilities		
Due within one year		36,426
Due beyond one year		<u>438,324</u>
Total Liabilities		<u>657,024</u>

Net Assets

Invested in capital assets, net of related debt		1,140,272
Restricted for:		
Capital projects		567,394
Dedicated penalties (See Note 2)		32,101
Unrestricted		<u>141,761</u>
Total Net Assets	\$	<u><u>1,881,528</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Exhibit A-2

Jackson Township Fire District No. 2
Statement of Activities
For the Year Ended December 31, 2010

Expenses	
Operating	<u>\$ 1,000,421</u>
Total Program Expenses	1,000,421
Program Revenues	
Charges for services	128,548
Operating grants and contributions	<u>3,257</u>
Net Program Expenses	<u>868,616</u>
General Revenues	
Taxes	
Property taxes levied for general purposes	773,447
Taxes levied for capital purchase	225,000
Investment earnings	2,519
Sale of equipment	9,498
Other	<u>3,980</u>
Total General Revenues	<u>1,014,444</u>
Loss on sale of capital assets	<u>34,150</u>
Increase in Net Assets	111,678
Net Assets, January 1	<u>1,769,850</u>
Net Assets, December 31	<u><u>\$ 1,881,528</u></u>

The accompanying notes to financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

Exhibit B-1

Jackson Township Fire District No. 2
Balance Sheet
Governmental Funds
December 31, 2010

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 863,343	\$ 1,812	\$ 865,155
State and local fees receivable	23,595		23,595
Supplemental Fire Service Grant receivable	3,257		3,257
Interfund receivable		565,582	565,582
Deferred charges to future taxation		474,750	474,750
	<u>890,195</u>	<u>1,042,144</u>	<u>1,932,339</u>
Total Assets	\$ 890,195	\$ 1,042,144	\$ 1,932,339
Liabilities and Fund Balances			
Current liabilities			
Accounts payable and accrued expenses	\$ 119,173	\$ -	\$ 119,173
LOSAP payable	15,000		15,000
Due to fire company	32,101		32,101
Interfund payable	565,582		565,582
Improvement authorizations		16,000	16,000
Capital lease - short term		36,426	36,426
Total Current Liabilities	<u>731,856</u>	<u>52,426</u>	<u>784,282</u>
Other Liabilities			
Capital lease - long term		438,324	438,324
	<u>731,856</u>	<u>490,750</u>	<u>1,222,606</u>
Total Liabilities	731,856	490,750	1,222,606
Fund Balances			
Unreserved			
Designated for LOSAP	7,600		7,600
Designated for subsequent year	76,000		76,000
Undesignated	74,739	551,394	626,133
	<u>158,339</u>	<u>551,394</u>	<u>709,733</u>
Total Fund Balances	158,339	551,394	709,733
Total Liabilities and Fund Balances	<u>\$ 890,195</u>	<u>\$ 1,042,144</u>	

(Continued)

Exhibit B-1

Jackson Township Fire District No. 2
Balance Sheet
Governmental Funds
December 31, 2010

Total
Governmental
Funds

(Continued)

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

Payments made to vendors for services that will benefit periods beyond fiscal year end that are recorded as expenditures at the time of payment in the governmental funds. (Prepaid insurance)	\$ 31,523
Payments not made in current period (Capital Lease)	(474,750)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$3,767,056 and the accumulated depreciation is \$2,152,034.	1,615,022
Net assets of governmental activities	<hr/> \$ 1,881,528 <hr/>

The accompanying notes to financial statements are an integral part of this statement.

Exhibit B-2

Jackson Township Fire District No. 2
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues			
District taxes	\$ 773,447	\$ 225,000	\$ 998,447
Supplemental Fire Service Grant	3,257		3,257
Fees and permits	66,355		66,355
Fines and penalties	15,736		15,736
Charges for services	46,457		46,457
Other revenues	3,980		3,980
Interest on deposits and investments	2,516	3	2,519
Total Revenues	<u>911,748</u>	<u>225,003</u>	<u>1,136,751</u>
Expenditures			
Operating appropriations	944,460		944,460
Total Expenditures	<u>944,460</u>	<u>-</u>	<u>944,460</u>
Excess (deficiency) of revenues over expenditures	<u>(32,712)</u>	<u>225,003</u>	<u>192,291</u>
Other Financing Sources			
Sale of equipment	104,329		104,329
Total Other Financing Sources	<u>104,329</u>		<u>104,329</u>
Net Change in Fund Balances	71,617	225,003	296,620
Fund balances, January 1	86,722	326,391	413,113
Fund balances, December 31	<u>\$ 158,339</u>	<u>\$ 551,394</u>	<u>\$ 709,733</u>

The accompanying notes to financial statements are an integral part of this statement.

Exhibit B-3

**Jackson Township Fire District No. 2
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Government Funds
to the Statement of Activities
For the Year Ended December 31, 2010**

Total Net Change in Fund Balances - Governmental Funds \$ 296,620

Amounts reported for governmental activities in the Statement of Activities (A-2) are difference because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$109,678 and sale of sale of capital assets of \$94,831 and loss on sale of \$34,150 exceeded capital outlays of \$57,942. (180,717)

In the statement of activities, certain operating expenses, e.g., compensated absences(vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+) 31,523-35,748. (4,225)

Change in Net Assets of Governmental Activities \$ 111,678

The accompanying notes to financial statements are an integral part of this statement.

Exhibit B-4

Jackson Township Fire District No 2
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2010

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ -
Investments, at fair value	
Mutual funds	<u>87,223</u>
Total Assets	<u><u>87,223</u></u>
 Liabilities	
Length of Service Award Program contributions	<u>87,223</u>
Total Liabilities	<u>-</u>
 Net Assets	
Unrestricted	<u>-</u>
Total Net Assets	<u><u>\$ -</u></u>

The accompanying notes to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2010

Note 1 - Summary of Significant Accounting Policies

The Board of Commissioners, Jackson Township Fire District No. 2 (the District) is an instrumentality of the State of New Jersey, established to function as a special district. The Board consists of five elected Commissioners and is responsible for the fiscal control of the District. Jackson Township Fire District No. 2 was created by the governing body of the Township of Jackson. The length of each Commissioner's term is three years with the annual election held the third Saturday of every February.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District has implemented the financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis for State and Local Governments*. The more significant of the District's accounting policies are described below.

A. Basic Financial Statements - District-wide Statements

The District's basic financial statements consist of district-wide statements (reporting the District as a whole) including a Statement of Net Assets and a Statement of Activities, and fund financial statements (reporting the District's major funds).

The Statement of Net Assets presents the financial condition of the government activities of the District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. The policy of the District is to not allocate indirect expenses to functions in the Statement of Activities. This District-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

B. Basic Financial Statements -Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a single column. 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. For fire districts, only two categories of funds exist, that being governmental and fiduciary.

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2010

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basic Financial Statements – Fund Financial Statements (continued)

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to purposes 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 following are the District's governmental funds:

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

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

Fiduciary Funds – Fiduciary funds are those used to report assets held in a trustee or agency capacity for others and cannot be used to address activities or obligations of the District. Therefore, these funds are not incorporated into the government-wide statements. The following is the District's fiduciary fund:

Agency Fund – The Agency Fund is used by the District to report funds that are being held for individuals in a purely custodial capacity. These funds represent monies accumulated in the Length of Service Awards Program (LOSAP) for eligible volunteer fire fighters. For that reason, in the Statement of Fiduciary Net Assets, agency fund assets should equal liabilities.

C. Measurement Focus

District-wide Financial Statements – The district-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the Statement of Net Assets.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2010

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus (continued)

financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the district-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

Fiduciary Fund Financial Statements – Because of the custodial nature of agency funds the concept of measurement focus, which centers on operations, is not applicable to agency funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions – Revenue resulting from exchange transactions in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the District, available means expected to be received within thirty days of year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include ad valorem (property) taxes, grants, entitlements and donations. Ad valorem (property) taxes are susceptible to accrual, as under New Jersey State Statute, a municipality is required to remit to its fire district the entire balance of taxes in the amount voted upon or certified, prior to the end of the fire district current year. The District records the entire approved tax levy as revenue (accrued) at the start of the year since the revenue is both measurable and available. The District is entitled to receive monies under the following established payment schedule: on or before April 1, an amount equal to 21.25% of all monies assessed; on or before July 1, an amount equaling 22.5% of all monies assessed; on or before October 1, an amount equaling 25% of all monies assessed; and on or before December 31, an amount equaling the difference between the total of all monies so assessed and the total amount of monies previously paid over. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditures requirements, in which the

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2010

Note 1 - Summary of Significant Accounting Policies (continued):

D. Basis of Accounting (continued)

Revenues – Exchange and Non-Exchange Transactions – (continued)

resources are provided to the District on a reimbursement basis. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: grants, fees and rentals.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U. S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey governments are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 40A:5-15.1 provides a list of permissible investments that may be purchased by New Jersey governments.

Additionally, the District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. The Act was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2010, \$637,053 of the District's bank balance of \$887,053 was exposed to custodial credit risk as follows: Uninsured and uncollateralized - \$637,053.

N.J.S.A. 17:9-41et seq. establishes the requirements for the 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 State or federally chartered banks, savings banks or associations located in the State of New Jersey or federally chartered banks, savings banks or associations located in another state with a branch office in the State of New Jersey, the deposits of which are federally insured. All public

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2010

Note 1 - Summary of Significant Accounting Policies (continued):

E. Cash, Cash Equivalents and Investments (continued)

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.

F. Prepaid Expenses

Prepaid expenses recorded in the governmental fund types, which benefit future periods, are recorded as an expenditure during the year of purchase. Prepaid expenses recorded on the district-wide financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2010.

G. Short-Term Interfund Receivables/Payables

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Fire District and that are due within one year. These amounts are eliminated in the governmental column of the Statement of Net Assets.

H. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-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. Donated fixed assets are recorded at their fair market value as of the date received. The District adopted a Fixed Asset Management Plan wherein assets having a useful life greater than five years and a unit cost greater than \$2,000 are considered capital assets. Assets having a useful life greater than one year but less than five years with a unit cost greater than \$500 but less than \$2,000 are considered non-bondable assets. 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 an asset's life are not. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Building and improvements	30 Years
Vehicles	5-25 Years
Equipment	5-10 Years

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2010

Note 1 - Summary of Significant Accounting Policies (continued):

H. Capital Assets (continued)

N.J.S.A. 40A:14-85 governs the procedures for the acquisition of property and equipment for fire districts, and N.J.S.A. 40A:14-86 to 87 governs procedures for the issuance of any debt related to such purchases. In summary, fire districts may purchase fire fighting apparatus and equipment and land and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or 2 percent of the assessed valuation of taxable property in the district, whichever is larger.

I. Compensated Absences

Compensated absences are those absences for which employees will be paid such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place. The entire compensated absence liability is reported on the district-wide financial statements. For government funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid with expendable available financial resources.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the district-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Fund Balance Reservations and Designations

The District reserves portions of fund balance for encumbrances, and designates a portion of unreserved fund balances for subsequent year's expenditures.

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2010

Note 2 – Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2010, consisted of the following:

Deposits with financial institutions	<u>\$ 887,053</u>
Total cash and cash equivalents	<u>\$887,053</u>

Restricted cash on the Statement of Net Assets of **\$599,495** represents \$567,394 that must be spent on capital projects and \$32,101 of dedicated penalties required by enabling legislation.

Note 3 – State and Local Fees Receivable

At December 31, 2010 major categories of fees receivable were:

Registration fees	\$18,387
Permit fees	<u>5,208</u>
Total	<u>\$23,595</u>

Note 4 – Prepaid Expenses

Prepaid expenses at December 31, 2010 consisted of prepaid insurance of \$31,523.

Note 5 – Capital Assets

Capital asset activity for the year ended December 31, 2010 was as follows:

	<u>Balance</u> <u>1/1/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/10</u>
Building & Improvements	\$1,347,765	\$ -0-	\$ -	\$1,347,765
Vehicles & Apparatus	1,682,865	512,421	(233,110)	1,962,176
Equipment	<u>286,843</u>	<u>20,271</u>	<u> </u>	<u>307,114</u>
Total Capital Assets				
Being depreciated:	3,317,473	532,692	(233,110)	3,617,055
Less: Accumulated Depreciation:				
Building & Improvements	(1,272,477)	(4,687)	-	(1,277,164)
Vehicles & Apparatus	(782,291)	(68,138)	104,129	(746,300)
Equipment	<u>(91,716)</u>	<u>(36,853)</u>	<u> </u>	<u>(128,569)</u>
Total Acc. Depreciation	<u>(2,146,484)</u>	<u>(109,678)</u>	<u>104,129</u>	<u>(2,152,033)</u>
Total Capital Assets being				
Depreciated – net	1,170,989	423,014	(128,981)	1,465,022
Land	<u>150,000</u>	<u> </u>	<u> </u>	<u>150,000</u>
Capital Assets- Net	<u>\$1,320,989</u>	<u>\$ 423,014</u>	<u>\$(128,981)</u>	<u>\$1,615,022</u>

Depreciation expense was charged to governmental functions as follows:

Cost Of Operations and Maintenance	<u>\$ 109,678</u>
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Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2010

Note 5 – Capital Assets (continued)

Included in increases in apparatus is a 2008 fire truck purchased for \$474,750 under a capital lease agreement. See also Note 16.

Note 6 – Loss on Sale of Capital Assets

The following fixed assets were sold during 2010:

	<u>Net Sales Price</u>	<u>Net Book Value</u>	<u>Gain(Loss)</u>
F-450 4x4 Fire Truck	\$ 7,881	\$ 18,335	\$ (10,454)
Freightliner Pumper	<u>86,950</u>	<u>110,646</u>	<u>(23,696)</u>
Total	<u>\$ 94,831</u>	<u>\$128,981</u>	<u>\$ (34,150)</u>

Note 7 – Length of Service Awards Program (LOSAP)

The District maintains a Length of Service Awards Program for members of the volunteer firefighting organization that serves the citizens of the District. The general requirements for a LOSAP are set forth in State Law (N.J.S.A. 40A:14-183 et seq.) An appropriation of \$15,000 was budgeted for 2010.

Note 8 – Accounts Payable and Accrued Expenses

At December 31, 2010 major categories of accounts payable and accrued expenses were:

Due to vendors	\$ 48,973
Due to PERS & PFRS	42,576
Accrued professional fees	12,000
Accrued vacation	12,863
Other accrued expenses	<u>2,761</u>
Total	<u>\$119,173</u>

Note 9 – 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 for which the District carries commercial insurance. The District maintains commercial insurance coverage for property, liability, and surety bonds. Settled claims did not exceed commercial insurance in any of the past three years.

Note 10 - Fund Balances

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) to identify the portion of the fund balance that is not appropriable for future expenditures. Designations are made through the budget process. Of the \$709,733 fund balance, \$7,600 has been designated for LOSAP and \$76,000 has been designated for subsequent year's expenditures.

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2010

Note 11 – Interfund Receivables, Payables

At December 31, 2010 an interfund receivable to the capital projects fund and an interfund payable from the general fund of \$565,582 existed.

Note 12 – Property Tax Levies

Following is a tabulation of District assessed valuations, tax levies and property tax rates per \$100.00 of assessed valuations for the current and preceding four years:

<u>Year</u>	<u>Assessed Valuation</u>	<u>Total Tax Levy</u>	<u>Tax Rate</u>
2010	\$1,520,642,200	\$998,447	\$0.066
2009	699,279,700	899,246	0.129
2008	690,308,400	860,550	0.125
2007	665,982,600	687.880	0.103
2006	667,359,032	638,654	0.096

Note 13 – Related Parties

The District entered into a lease agreement with the fire company to rent the premises wherein it makes quarterly payments to the fire company for providing facilities. The total rent paid to the fire company during 2010 was \$25,000.

Note 14 – Pension Plans

The District contributes to two cost-sharing multiple-employer defined benefit pension plans, the Public Employee's Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), which are both administered by the New Jersey Division of Pensions and Benefits. These plans provide retirement, death and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B for PERS and N.J.S.A. 43:16A and 43:3B for PFRS. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
PO Box 295
Trenton, NJ 08625-0295

The contribution requirements of plan members are determined by state statute. In accordance with Statute, plan members enrolled in PERS are required to contribute 3% of their annual covered salary. Plan members enrolled in the PFRS are required to contribute 8.5% of their annual covered salary. The District is billed annually for its normal contribution plus any accrued liability. The District's contributions to the plans, equal to the required contributions for the last four years were as follows: 2008 - \$10,841; 2009 - \$31,510 and 2010 - \$42,576.

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2010

Note 15 – Compensated Absences

The District accounts for compensated absences (e.g. unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16) "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits. Employees may accrue up to 30 vacation days and shall be paid for all unused and accrued vacation days upon termination. Employees may accrue up to 80 sick days which will be paid upon retirement only at the rate of one-half the prevailing salary for each day accrued.

As of December 31, 2010, the liability for compensated absences in the governmental fund types was \$12,863.

Note 16 – Long Term Obligations

During the year ended December 31, 2010, the following changes occurred in long-term obligations:

	Principal Outstanding 1/1/10	Increases	Decreases	Principal Outstanding 12/31/10	Due Within One Year
Obligations under Capital Leases	\$ - 0 -	\$474,750	\$ - 0 -	\$474,750	\$36,426

Capital Leases Payable - On February 8, 2010 the District entered into a capital lease agreement with Kansas State Bank of Manhattan to lease/purchase a 2008 Rosenbauer Fire Truck for \$474,750. The terms of the lease require annual principal and interest payments of \$63,771.88 to be paid in ten annual installments, beginning March 15, 2011 at a fixed interest rate of 5.760%. The following schedule details the required lease payments:

Year Ending <u>March 15</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$36,426.27	\$27,345.61	\$63,771.88
2012	38,524.43	25,247.45	63,771.88
2013	40,743.43	23,028.45	63,771.88
2014	43,090.26	20,681.62	63,771.88
2015	45,572.26	18,199.62	63,771.88
Thereafter	<u>270,393.35</u>	<u>48,466.05</u>	<u>318,859.40</u>
Total	<u>\$474,750.00</u>	<u>\$162,968.80</u>	<u>\$637,718.80</u>

Note 17 – Subsequent Events

Subsequent events were evaluated through November 16, 2011 which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

Exhibit C-1

Jackson Township Fire District No. 2
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2010

Revenues	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Miscellaneous Anticipated Revenues					
Rental income	\$ 36,000		\$ 36,000	\$ 46,457	\$ 10,457
Sales of assets	120,000		120,000	104,329	(15,671)
Interest on investments and deposits	200		200	2,516	2,316
Total Miscellaneous Anticipated Revenues	156,200	-	156,200	153,302	(2,898)
Operating Grant Revenue					
Supplemental Fire Services Grant	4,648		4,648	3,257	(1,391)
Miscellaneous Revenues Offset With Appropriations					
Uniform Fire Safety Act					
Annual registration fees	14,000		14,000	49,938	35,938
Penalties and fines	2,700		2,700	15,736	13,036
Other revenues	31,000		31,000	20,397	(10,603)
Total Miscellaneous Revenues Offset With Appropriations	47,700	-	47,700	86,071	38,371
Amount to be Raised by Taxation to Support the District Budget	773,447		773,447	773,447	-
Total Anticipated Revenues	981,995	-	981,995	1,016,077	34,082
Total Revenues	981,995	-	981,995	1,016,077	34,082

(Continued)

Exhibit C-1

Jackson Township Fire District No. 2
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance (Positive) Negative	Final to Actual
Expenditures						
Operating Appropriations						
Administration						
Salary and Wages	\$ 4,900	\$ -	\$ 4,900	\$ 4,900	\$ -	
Commissioners						
Other Expenses						
Elections	1,000	50	1,050	1,014	(36)	
Membership/dues	300	400	700	675	(25)	
Office expenses	2,000	4,100	6,100	6,030	(70)	
Professional services	40,000		40,000	36,229	(3,771)	
Travel expenses	200		200	-	(200)	
Other outside services	1,000	(1,000)	-	-	-	
Total Administration	<u>49,400</u>	<u>3,550</u>	<u>52,950</u>	<u>48,848</u>	<u>(4,102)</u>	
Cost of Operations and Maintenance						
Salary and Wages	114,716		114,716	93,506	(21,210)	
Firefighters	128,100	(18,050)	110,050	103,848	(6,202)	
Fringe benefits						
Other Expenses						
Advertising	1,600	800	2,400	2,397	(3)	
Insurance	85,000	(7,000)	78,000	77,947	(53)	
Maintenance & repairs	80,000	12,500	92,500	92,213	(287)	
Rental charges	15,120		15,120	14,840	(280)	
Supplies expense	25,000		25,000	24,899	(101)	
Training & education	10,000	6,600	16,600	16,507	(93)	
Uniforms	10,000	14,600	24,600	24,561	(39)	
Utilities	44,000		44,000	42,835	(1,165)	
Other rentals	25,000		25,000	25,000	-	
SFSG expenses	4,648		4,648	-	(4,648)	
Contingent expenses	5,000		5,000	-	(5,000)	
Other Assets - Non bondable	105,000	(13,000)	92,000	91,956	(44)	
Total Cost of Operations and Maintenance	<u>653,184</u>	<u>(3,550)</u>	<u>649,634</u>	<u>610,509</u>	<u>(39,125)</u>	(Continued)

Exhibit C-1

Jackson Township Fire District No. 2
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance (Positive) Negative Final to Actual
Expenditures (continued)					
Operating Appropriations Offset with Revenues					
Salary and Wages	275,111	-	275,111	270,103	(5,008)
Total Operating Appropriations Offset with Revenues	275,111	-	275,111	270,103	(5,008)
Other Budgeted Appropriations	15,000		15,000	15,000	-
Length of Service Award Program					
Total Other Budgeted Appropriations	15,000		15,000	15,000	-
Total Expenditures	992,695	-	992,695	944,460	(48,235)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (10,700)	\$ -	\$ (10,700)	71,617	\$ 82,317
Fund Balance, January 1				86,722	
Fund Balance, December 31				\$ 158,339	
Recapitulation:					
Unreserved Fund Balance				\$ 158,339	

Jackson Township Fire District No. 2
Note to Budgetary Comparison Schedule
December 31, 2010

Note A. Budgets/ Budgetary Control

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

The Commissioners must introduce and adopt the annual budget not later than sixty days prior to the annual election. At introduction, the Commissioners shall 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 approved. After the hearing has been held, the Commissioners may, by majority vote, adopt the budget.

Amendments may be made to the District budget in accordance with N.J.S.A. 40A:14-78.3. The budget may not be amended subsequent to its final adoption and approval. Subsequent to the adoption of the District budget, the amount of money to be raised by taxation in support of the District budget must appear on the ballot for the annual election for approval of the legal voters.

Fire districts have a prescribed budgetary basis to demonstrate legal compliance. However, budgets are adopted on principally the same basis of accounting utilized for the preparation of the District's basic fund financial statements.

Amounts reported under "final budget" on Exhibit C-1 include modifications to the adopted budget that was made during the year as approved by the Commissioners.

OTHER SUPPLEMENTARY INFORMATION

CAPITAL PROJECTS FUND

Exhibit D-1

Jackson Township Fire District No. 2
 Summary Statement of Project Expenditures
 For the Year Ended December 31, 2010

Issue/Project Title	Authorized Appropriations		Expenditures/Cancelleds to Date		Unexpended Balance
	Date	Amount	Prior Years	Current Year	
Substation	Prior Years	\$ 16,000	\$ -	\$ -	\$ 16,000
F-250 Pickup Truck	9/22/2005	30,000	28,210	1,790	-
Class A Pumper	9/22/2005	285,000	260,703	24,297	-
Roof Replacement	12/13/2007	35,000			35,000
Parking Lot Paving	12/13/2007	90,000	65,918		24,082
Curbing/Apron Replacement	12/13/2007	50,000			50,000
Rescue Pumper	12/11/2008	550,000		550,000	-
Total		\$ 1,056,000	\$ 354,831	\$ 576,087	\$ 125,082

Exhibit D-2

Jackson Township Fire District No. 2
 Budgetary Comparison Schedule
 Capital Fund
 For the Year Ended December 31, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance (Positive) Negative Final to Actual
Revenues					
Amount to be raised by taxation to Support the District Budget	\$ 225,000	\$ -	\$ 225,000	\$ 225,000	\$ -
Interest earned				3	(3)
Total Revenues	<u>225,000</u>	<u>-</u>	<u>225,000</u>	<u>225,003</u>	<u>(3)</u>
Expenditures					
Capital expenditures					
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	225,000	-	225,000	225,003	(3)
Fund balance January 1	326,391		326,391	326,391	-
Fund balance, December 31	<u>\$ 551,391</u>	<u>\$ -</u>	<u>\$ 551,391</u>	<u>\$ 551,394</u>	<u>\$ (3)</u>

LONG-TERM DEBT

Exhibit E-1

Jackson Township Fire District No. 2
 Schedule of Obligations Under Capital Leases
 For the Year Ended December 31, 2010

<u>Description</u>	<u>Date of Lease</u>	<u>Original Issue</u>	<u>Annual Principal Payments</u>			<u>Interest Rate</u>	<u>Balance Jan. 1, 2010</u>	<u>Retired</u>	<u>Balance Dec. 31, 2010</u>
			<u>Date</u>	<u>Amount</u>	<u>Additions</u>				
2008 Fire Truck	2/8/10	\$ 474,750				-		474,750	
			03/15/11	\$ 36,426	474,750	5.76%	-	-	
			03/15/12	38,524	\$ 474,750		-	\$ 474,750	
			03/15/13	40,743					
			03/15/14	43,090					
			03/15/15	45,572					
	Thereafter		270,395						
			<u>\$ 474,750</u>					<u>\$ 474,750</u>	

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**Jackson Township Fire District No. 2
Schedule of Findings and Recommendations
For the Year Ended December 31, 2010**

Schedule of Financial Statement Findings

NONE

**Jackson Township Fire District No. 2
Schedule of Prior Year
Findings and Recommendations
For the Year Ended December 31, 2010**

Schedule of Prior Year Financial Statement Findings

Depositing Length Of Service Awards Program (LOSAP) Contributions

Condition: Deposit of LOSAP payment to approved contractor was not made timely.

Status: The condition has been corrected.