

**TOWNSHIP OF LOWER FIRE DISTRICT #3  
REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
YEAR ENDED DECEMBER 31, 2011**

**TOWNSHIP OF LOWER FIRE DISTRICT #3**  
**YEAR ENDED DECEMBER 31, 2011**  
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To the Board of Commissioners  
Township of Lower Fire District #3  
Erma, New Jersey 08204

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the fund financial statements and each major fund of the Township of Lower Fire District #3, State of New Jersey (the "District"), as of December 31, 2011, which collectively comprise of the District's basic financial statements, as listed in the accompanying table of contents. These basic financial statements are the responsibility of District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, issued by the Controller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 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 provide a reasonable basis for our opinion.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 3, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, fund financial statements and each major fund of the District, as of December 31, 2011 and the respective changes in financial position for the fiscal year 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 Discussion and Analysis, the Statement of Revenues, Expenditures and Changes in Fund balance – Budget and Actual – General Fund, and the Budget-To-GAAP Reconciliation identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The introductory section, combining and related major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Ford, Scott & Associates, L.L.C*  
**FORD, SCOTT & ASSOCIATES, L.L.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

*Glen J. Ortman*

**Glen J. Ortman**  
**Certified Public Accountant**  
**Registered Municipal Accountant**  
**No. 427**

**August 3, 2012**

REQUIRED SUPPLEMENTARY INFORMATION - PART I

## **MANAGEMENT'S DISCUSSION & ANALYSIS OF THE TOWNSHIP OF LOWER FIRE DISTRICT #3**

Our discussion and analysis of Township of Lower Fire District #3's financial performance provides an overall review of the Fire District's financial activities for the fiscal year ended December 31, 2011. The intent of this discussion and analysis is to look at the Fire District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Fire District's financial performance.

### **OVERVIEW:**

The Township of Lower Fire District #3, hereafter referred to as the "Fire District," is a primary governmental entity located in the Township of Lower, State of New Jersey. The Fire District is run by a board of commissioners who are elected into office by the registered voters of District #3 in the Township of Lower.

The Fire District is responsible for establishing a budget and maintaining fiscal control over public funds that are used to provide for the safety and welfare of the residents located within District #3 in the Township of Lower. Under existing statute, the Fire District is exempt from both Federal and State taxes.

The accounts of the Fire District are maintained in accordance with the principles of "fund accounting." One fund, the General Fund is used to account for all revenues and expenditures applicable to the general operations of the Fire District.

Funding is acquired through property tax levies. In 2011, the total tax levy was \$683,789.00, which corresponds to a property tax rate of 0.052 per \$100 of assessed valuation.

### **Financial Highlights**

Key financial highlights for 2011 are as follows:

- In total, net assets increased \$166,098.95, which represents an increase of 9 percent from 2010.
- General Revenues in the form of property tax assessments accounted for \$683,789.00 or 99 percent of the total revenues of \$687,311.66.
- Total assets of governmental activities decreased by \$97,568.15 as cash and cash equivalents increased by \$63,143.84 and net capital assets decreased by \$160,711.99.
- The Fire District had \$589,735.30 in expenses. General revenues (primarily property tax assessments) were in the amount of \$687,311.66.

### **Reporting the Fire District as a Whole**

#### **Statement of Net Assets and the Statement of Activities**

While this document contains only one fund used by the Fire District to provide programs and activities, the view of the Fire District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the modified accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

## **Reporting the Fire District as a Whole - Continued**

### Statement of Net Assets and the Statement of Activities (Continued)

These two statements report the Fire District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the commission as a whole, the financial position of the Fire District have improved or diminished. The causes of this change may be the result of many factors, some financial and some not.

## **Reporting the Fire District's Most Significant Funds**

### Fund Financial Statements

Fund financial reports provide detailed information about the Fire District's funds. The Fire District uses one fund to account for all financial transactions. The Fire District's governmental fund is the General Fund.

### Governmental Funds

The Fire District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Fire District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance activities. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 11 to 17 of this report.

## **The Fire District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the Fire District as a whole. Net assets may serve over time as a useful indicator of a government's financial position.

The Fire District's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**The Fire District as a Whole - Continued**

Table 1 provides a summary of the Fire District's net assets for 2011 with net asset comparisons to fiscal year 2010

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Current and Other Assets	\$ 554,362.28	\$ 491,218.44
Capital Assets	<u>2,038,094.83</u>	<u>2,198,806.82</u>
Total Assets	<u>2,592,457.11</u>	<u>2,690,025.26</u>
<b>Liabilities</b>		
Other Liabilities	<u>543,483.28</u>	<u>807,150.38</u>
Total Liabilities	<u>543,483.28</u>	<u>807,150.38</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	1,537,054.71	1,469,470.03
Unrestricted	<u>511,919.12</u>	<u>413,404.85</u>
Total Net Assets	<u>\$ 2,048,973.83</u>	<u>\$ 1,882,874.88</u>

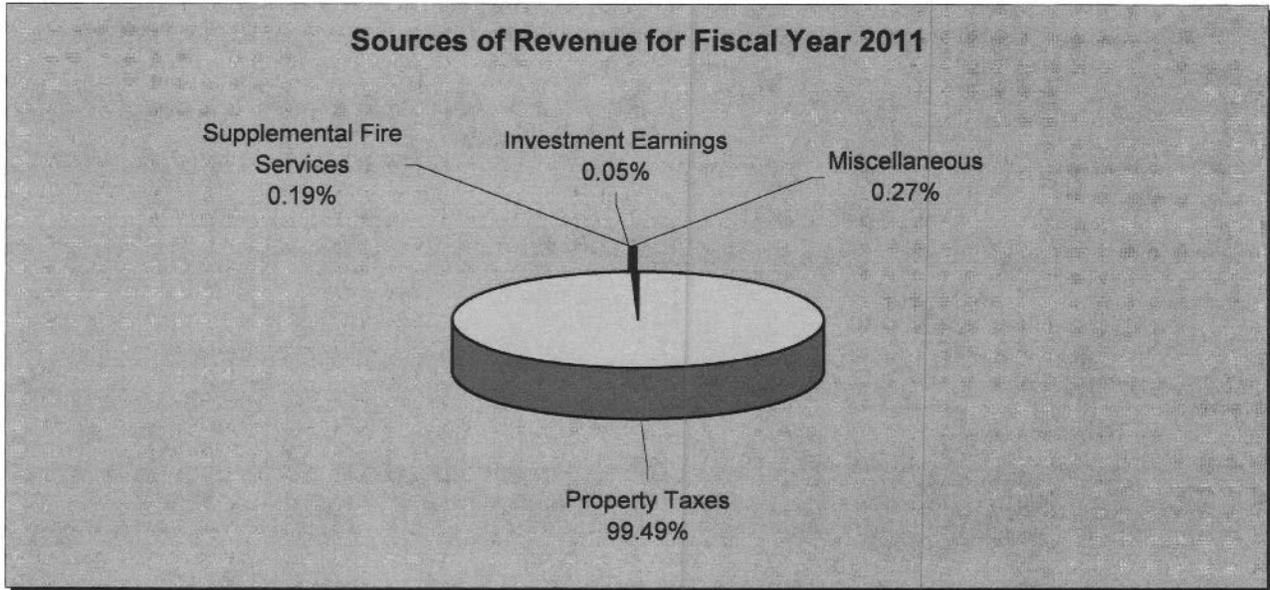
The Fire District's combined net assets were \$2,048,973.83 on December 31, 2011. This was an increase of 9 percent from 2010.

Table 2 shows changes in net assets for fiscal year 2011 with a comparative analysis of 2010 data.

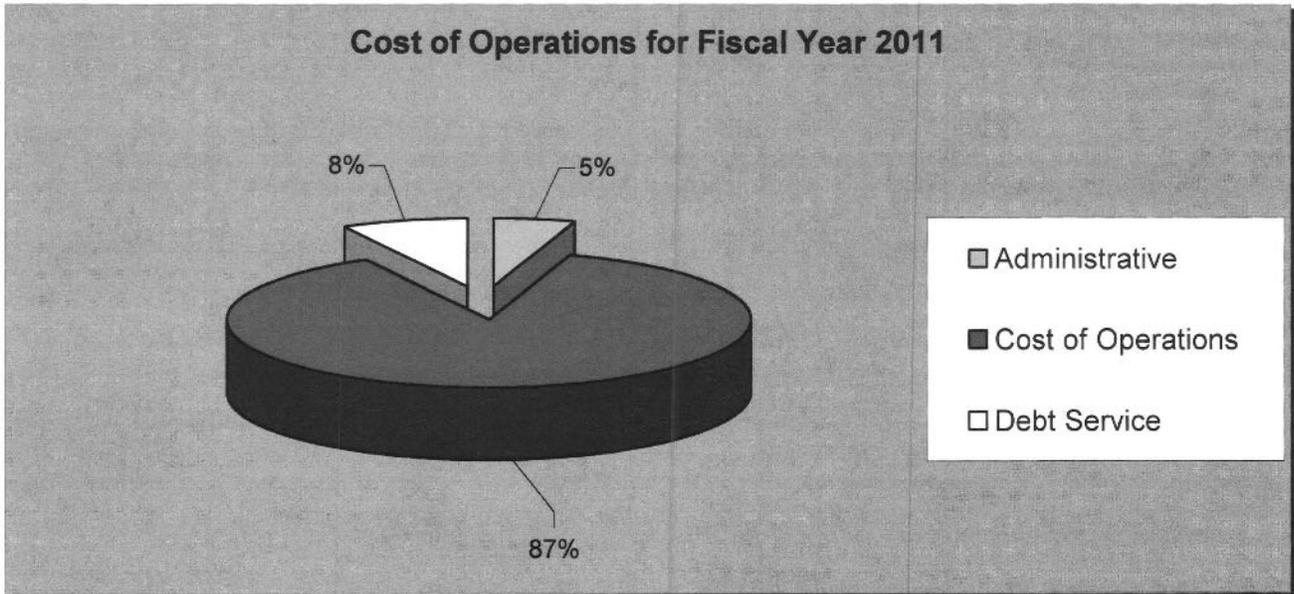
	<u>2011</u>	<u>2010</u>
<b>Revenues</b>		
General Revenues:		
Property Tax Assessments	\$ 683,789.00	\$ 683,071.00
Other	<u>3,522.66</u>	<u>28,519.37</u>
Total Revenues	<u>687,311.66</u>	<u>711,590.37</u>
<b>Program Expenses</b>		
Administrative	26,070.00	26,232.55
Cost of Operations	453,651.71	551,867.55
Debt Service	<u>41,491.00</u>	<u>54,999.00</u>
Total Expenses	<u>521,212.71</u>	<u>633,099.10</u>
Excess (Deficit) of Revenues over Expenses	166,098.95	78,491.27
Other Financing Sources (Uses):		
Gain/(Loss) on Disposal of Capital Assets	<u>-</u>	<u>(2,082.16)</u>
Increase (Decrease) in Net Assets	<u>\$ 166,098.95</u>	<u>\$ 76,409.11</u>

### Governmental Activities

The property tax assessments made up 99% of revenues while investment earnings and supplemental fire services revenues made up the remaining 1% of revenues for fiscal year 2011. The Fire District's total revenues were \$687,311.66 for the year ended December 31, 2011.



The total cost of operations was \$521,212.71.



### Business-Type Activities

The Fire District does not have any business-type activities.

## The Fire District's Funds

The governmental fund (general fund presented in the fund-based statements) is accounted for using the modified accrual basis of accounting. Total revenues amounted to \$687,311.66 and expenditures were \$588,797.39.

As demonstrated by the various statements and schedules included in the financial section of this report, the Fire District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended December 31, 2011, and the amount and percentage of total revenues compared to prior year revenues.

Revenue	2011 Amount	Percentage of Total	2010 Amount	Percentage of Total
Property Taxes	\$ 683,789.00	99.49%	\$ 683,071.00	104.56%
Supplemental Fire Service Aid	1,306.24	0.19%	488.65	0.07%
Miscellaneous	1,866.64	0.27%	27,588.99	4.22%
Investment Earnings	349.78	0.05%	441.73	0.07%
<b>Total</b>	<b>\$ 687,311.66</b>	<b>100.00%</b>	<b>\$ 653,288.50</b>	<b>108.92%</b>

The following schedule represents a summary of general fund expenditures for the fiscal year ended December 31, 2011, and the percentage of total expenditures compared to prior year amounts.

Expenditures	2011 Amount	Percentage of Total	2010 Amount	Percentage of Total
Current Expense:				
Administration	\$ 26,070.00	4.43%	\$ 26,232.55	4.66%
Operations & Maintenance	293,239.72	49.80%	377,648.91	47.41%
Debt Service	269,487.67	45.77%	268,802.67	47.93%
<b>Total</b>	<b>\$ 588,797.39</b>	<b>100.00%</b>	<b>\$ 557,908.73</b>	<b>100.00%</b>

## Capital Assets

At the end of the fiscal year 2011, the Fire District had \$2,038,094.83 invested in building and improvements, furniture and fixtures, and equipment. Table 3 shows the fiscal year 2011 balances of the capital assets, net of accumulated depreciation

**Table 3**  
**Capital Assets (Net of Depreciation) at December 31, 2011**

Governmental Activities	Beginning Balance	Additions/ Depr. Expense	Retirements	Ending Balance
Furniture and Fixtures	\$ 50,000.00	\$ -	\$ -	\$ 50,000.00
Equipment	2,077,414.61	-	300,000.00	1,777,414.61
Building & Improvements	2,341,000.00	-	-	2,341,000.00
<b>Totals at Historical Cost</b>	<b>4,503,765.61</b>	<b>-</b>	<b>300,000.00</b>	<b>4,168,414.61</b>
Less accumulated depreciation for:				
Furniture and Fixtures	(50,000.00)	-	-	(50,000.00)
Equipment	(1,316,872.74)	(100,681.22)	(300,000.00)	(1,117,553.96)
Building & Improvements	(902,735.05)	(60,030.77)	-	(962,765.82)
<b>Total Accumulated Depreciation</b>	<b>(2,128,657.99)</b>	<b>(160,711.99)</b>	<b>(300,000.00)</b>	<b>(2,130,319.78)</b>
<b>Governmental Activities capital assets, net</b>	<b>\$ 2,375,107.62</b>	<b>\$ (160,711.99)</b>	<b>\$ -</b>	<b>\$ 2,038,094.83</b>

Overall capital assets had a net decrease of \$160,711.99 from fiscal year 2010 to fiscal year 2011. The decrease in capital assets is due to current year depreciation expense and the deletion of a fully depreciated pumper/tanker.

## For the Future

The Township of Lower Fire District #3 is in good financial condition presently.

In conclusion, the Township of Lower Fire District #3 has committed itself to financial excellence for many years. The Fire District plans to continue its sound fiscal management to meet the challenges of the future.

## THE ORGANIZATION:

The Fire District is governed by a five member Board of Commissioners who establishes the policies and plans to meet the current and future needs for the Fire District. The current members of the Fire District Board of Commissioners are set forth below:

<u>Name</u>	<u>Position Held</u>
David Lepor	Chairman
Jeffrey Van Mourik	Vice President
Steven Douglass	Secretary
Gary Douglass	Treasurer
Kendul Kennedy	Asst. Secretary/ Treasurer

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Fire District's finances and to show the Fire District's accountability for the money it receives. If you have questions about this report or need additional information, contact Steven Douglass, Secretary of the Board of Commissioners at Township of Lower Fire District #3, P.O. Box 162, Rio Grande, NJ 08204.

**FINANCIAL STATEMENTS**

**TOWNSHIP OF LOWER FIRE DISTRICT #3**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2011**

	General Fund	Capital Fund	Total	Adjustments (Note 6 )	Statement of Net Assets
<b><u>ASSETS</u></b>					
Cash and Cash Equivalents	\$ 554,362.28	\$	\$ 554,362.28	\$	\$ 554,362.28
Accounts Receivable			-		-
Retirement of Debt		501,040.12	501,040.12	(501,040.12)	-
Capital Assets, net of Accumulated Depreciation (Note 3 )				2,038,094.83	2,038,094.83
Total Assets	<u>\$ 554,362.28</u>	<u>\$ 501,040.12</u>	<u>\$ 1,055,402.40</u>	<u>\$ 1,537,054.71</u>	<u>\$ 2,592,457.11</u>
<b><u>LIABILITIES</u></b>					
<b><u>Liabilities:</u></b>					
LOSAP Payable	\$ 33,348.00	\$	\$ 33,348.00	\$	\$ 33,348.00
Accounts Payable	9,095.16		9,095.16		9,095.16
Long-Term Liabilities (Note 4 )					
Due within one year		243,027.81	243,027.81		243,027.81
Due after one year		258,012.31	258,012.31		258,012.31
Total Liabilities	<u>42,443.16</u>	<u>501,040.12</u>	<u>543,483.28</u>	<u>-</u>	<u>543,483.28</u>
<b><u>Fund Balances/Net Assets:</u></b>					
Unreserved, reported in:					
General Fund	511,919.12		511,919.12	(511,919.12)	
Capital Projects Fund			-	-	-
Total Fund Balance	<u>511,919.12</u>	<u>-</u>	<u>511,919.12</u>	<u>(511,919.12)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 554,362.28</u>	<u>\$ 501,040.12</u>	<u>\$ 1,055,402.40</u>		
<b>Net Assets:</b>					
Invested in capital assets, net of related debt					1,537,054.71
Unrestricted					511,919.12
Total Net Assets					<u>\$ 2,048,973.83</u>

**TOWNSHIP OF LOWER FIRE DISTRICT #3**  
**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	General Fund	Capital Fund	Total	Adjustments (Note 7)	Statement of Activities
<b>Revenues:</b>					
Property Taxes	\$ 683,789.00	\$	\$ 683,789.00	\$	\$ 683,789.00
Investment Earnings	349.78		349.78		349.78
Supplemental Fire Services	1,306.24		1,306.24		1,306.24
Miscellaneous	1,866.64		1,866.64		1,866.64
Total Revenues:	<u>687,311.66</u>		<u>687,311.66</u>		<u>687,311.66</u>
<b>Expenditures/ Expenses:</b>					
Current:					
Administrative Costs:					
Salaries and Wages	24,400.00		24,400.00		24,400.00
Election	1,670.00		1,670.00		1,670.00
Cost of Operations and Maintenance					
Advertising	279.62		279.62		279.62
Insurance Premiums	36,421.32		36,421.32		36,421.32
Maintenance and Repairs	50,053.07		50,053.07		50,053.07
Hydrant Fee	11,480.00		11,480.00		11,480.00
Bureau of Fire Safety	15,000.00		15,000.00		15,000.00
Supplies	2,381.33		2,381.33		2,381.33
Training and Education	9,243.38		9,243.38		9,243.38
Utilities and Related Services	54,856.69		54,856.69		54,856.69
Non-bondable Assets	19,819.95		19,819.95		19,819.95
Length of Service Awards Program	33,348.00		33,348.00		33,348.00
Contracted Services	6,642.30		6,642.30		6,642.30
Erma Fire	43,000.00		43,000.00		43,000.00
Professional Services	10,714.06		10,714.06		10,714.06
Depreciation				160,711.99	160,711.99
Debt Service					
Principal	228,296.67		228,296.67	(228,296.67)	-
Interest	41,191.00		41,191.00		41,191.00
Total Expenditures/Expenses	<u>588,797.39</u>	<u>-</u>	<u>588,797.39</u>	<u>(67,584.68)</u>	<u>521,212.71</u>
Excess (deficiency) of Revenues over Expenditures	98,514.27	-	98,514.27	(67,584.68)	166,098.95
Other Financing Uses (Sources)					
Gain/(Loss) on Disposal of Capital Assets					-
Transfers - internal activities					
Excess (Deficiency) of Revenues and Transfers in over Expenditures and Transfers out	98,514.27	-	98,514.27	(98,514.27)	-
Changes in Net Assets				166,098.95	166,098.95
<b>Fund Balances/Net Assets:</b>					
Beginning of the Year	413,404.85		413,404.85		1,882,874.88
End of the Year	<u>\$ 511,919.12</u>	<u>\$</u>	<u>\$ 511,919.12</u>	<u>\$ -</u>	<u>\$ 2,048,973.83</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**TOWNSHIP OF LOWER FIRE DISTRICT #3**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Township of Lower Fire District #3 (the Fire District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Fire District's accounting policies are described below.

**A. Reporting Entity**

The Fire District's basic financial statements include the accounts of all the Fire District's operations. The Fire District, as a special-purpose government, meets the criteria defining a primary government. As set forth in Government Accounting Standards Board (GASB) 14, a primary government is also a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

**B. Basis of Presentation, Measurement Focus and Basis of Accounting**

Basis of Presentation

The Fire District's basic financial statements consist of a statement of net assets and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

*District-Wide Financial Statements:* The statement of net assets and the statement of activities display information about the Fire District as a whole. These statements report financial activities of the overall Fire District. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by District assessments, intergovernmental revenues, and other non-exchange transactions from business-type activities, if any, generally financed in whole or in part with fees charged to external parties.

The statement of net assets presents the financial condition of the Fire District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the governmental activity of the Fire District.

*Fund Financial Statements:* During the fiscal year, the Fire District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Fire District's funds.

Governmental Funds

The Fire District reports the following governmental funds:

General Fund – The general operating fund of Fire District, accounts for all administrative and operational activities of the Fire District.

Capital Fund – The accounting for expenditures for property, plant and equipment financed by debt authorized of form restricted grants is contained in the Capital Fund, as is the related debt issued and outstanding.

**TOWNSHIP OF LOWER FIRE DISTRICT #3**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation, Measurement Focus and Basis of Accounting - Continued**

Measurement Focus and Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax assessments are recognized as revenues in the year in which they are levied.

Contributions and grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net assets.

**C. Budget/Budgetary Control**

An annual operating budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures in accordance with NJSA 40A:5A. The operating budget, adopted annually, is in the form prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**D. Assets, Liabilities and Equity**

Cash, Cash Equivalents and Investments

Cash and cash equivalents include various checking and money market accounts, U.S. obligations, and certificates of deposit with maturities of three months or less.

Investments are carried at cost with associated premiums and discounts amortized over the term of the investment. Purchase of investments is limited by N.J.S.A. 40A:5-15.1 to bonds or obligations of or guaranteed by the federal government and to bonds or other obligations of federal or local units. The investments are required to have a maturity date not more than twelve months from the date of Purchase.

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

N.J.S.A. 17:9-41 et. seq. establishes the requirements for 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 savings and loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

**TOWNSHIP OF LOWER FIRE DISTRICT #3**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities and Equity - Continued**

Capital Assets

The Fire District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The capitalization threshold used by the Fire District is \$1,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method over their estimated useful lives. Useful lives vary from 20 to 45 years for land improvements and buildings, and 5 to 20 years for equipment.

The Fire District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

Deferred Compensation

The Fire District participates in a voluntary deferred benefit program known generally as LOSAP (Length of Service Award Program). New Jersey state law defines it as "a system established to provide tax deferred income benefits to active volunteer members of an emergency service organization". The Fire District determines a point system to be used to determine eligibility in the program, and a maximum annual contribution. Funds are deposited into a plan similar to deferred compensation plans for county and municipal employees.

Accrued Liabilities and Long-Term Obligations

All payables and accrued liabilities are reported on 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. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year.

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 balance of any borrowing (if any) 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 Fire District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**TOWNSHIP OF LOWER FIRE DISTRICT #3**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fund Balance Reserves

In accordance with Governmental Accounting Standards Board Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District was required to classify governmental fund balances as follows:

- Non-spendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.
- Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by Board of School Estimates, the Board of Education, Superintendent or Business Administrator.
- Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District did not assign Fund Balance and was classified as unrestricted.

**2. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

**Custodial Credit Risk Related to Deposits** - Custodial credit risk is the risk that, in the event of a bank failure, the Fire District's deposits might not be recovered. Although the Fire District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unity Deposit Protection Act. Of the Fire District's bank Balance of \$576,491.10 as of December 31, 2011, \$0.00 was uninsured and uncollateralized.

**TOWNSHIP OF LOWER FIRE DISTRICT #3**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

**3. GENERAL FIXED ASSETS**

A summary of changes in general fixed assets for the year ended December 31, 2011 follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions/ Depr. Expense</u>	<u>Retirements</u>	<u>Ending Balance</u>
Furniture and Fixtures	\$ 50,000.00	\$ -	\$ -	\$ 50,000.00
Equipment	2,077,414.61		300,000.00	1,777,414.61
Building & Improvements	2,341,000.00	-	-	2,341,000.00
Totals at Historical Cost	<u>4,503,765.61</u>	<u>-</u>	<u>300,000.00</u>	<u>4,168,414.61</u>
Less accumulated depreciation for:				
Furniture and Fixtures	(50,000.00)	-	-	(50,000.00)
Equipment	(1,316,872.74)	(100,681.22)	(300,000.00)	(1,117,553.96)
Building & Improvements	(902,735.05)	(60,030.77)	-	(962,765.82)
Total Accumulated Depreciation	<u>(2,128,657.99)</u>	<u>(160,711.99)</u>	<u>(300,000.00)</u>	<u>(2,130,319.78)</u>
Governmental Activities capital assets, net	<u>\$ 2,375,107.62</u>	<u>\$ (160,711.99)</u>	<u>\$ -</u>	<u>\$ 2,038,094.83</u>

**4. DEBT SERVICE**

The following tabulation presents the principal and interest requirements for the next three years of district debt issued and outstanding:

**1991 Serial Bond Payable**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 150,000.00	\$ 16,215.00	\$ 166,215.00
2013	160,000.00	5,520.00	165,520.00
	<u>\$ 310,000.00</u>	<u>\$ 21,735.00</u>	<u>\$ 331,735.00</u>

**Capital Lease**

The Fire District has entered into agreement to purchase a new E-One HP 75 Foot Aerial Truck. This agreement is, in substance, a purchase (capital lease) and is reported as a capital lease obligation.

The following schedule presents future minimum lease payments as of December 31, 2011:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 93,027.81	\$ 10,239.86	\$ 103,267.67
2013	98,014.11	5,253.56	103,267.67
	<u>\$ 191,041.92</u>	<u>\$ 15,493.42</u>	<u>\$ 206,535.34</u>

**TOWNSHIP OF LOWER FIRE DISTRICT #3**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

**4. DEBT SERVICE (CONTINUED)**

Leased equipment under capital lease in capital assets at December 31, 2011, includes the following:

E-One HP 75 Foot Aerial	\$ 618,174.00
Less: Accumulated depreciation:	
E-One HP 75 Foot Aerial	<u>(168,846.40)</u>
Total	<u>\$ 449,327.60</u>

Amortization of leased equipment under capital assets is included with depreciation expense.

**5. INTEREST EXPENSE**

The Fire District incurred and paid \$41,191.00 of interest expense during the year ended December 31, 2011. This amount includes interest on Bonds and interest on Capital Leases.

**6. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUNDS BALANCE SHEET AND THE STATEMENT OF NET ASSETS**

"Total fund balances" of the Fire District's governmental funds \$511,919.12 differs from "net assets" of governmental activities \$2,048,973.83. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheet.

1. When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets is reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets.

Cost of Capital Assets	<u>\$ 4,174,860.53</u>
Accumulated Depreciation	<u>\$ (2,136,765.70)</u>
Retirement of Debt	<u>\$ (501,040.12)</u>
	<u>\$ 1,537,054.71</u>

2. Liabilities applicable to the Fire District's governmental activities are not due and payable in the current period and are not recorded as fund liabilities. All liabilities are reported in the statement of net assets.

Long-Term Liabilities:	
Due within one year	\$ 243,027.81
Due after one year	<u>258,012.31</u>
Total Long-Term Liabilities:	<u>\$ 501,040.12</u>

TOWNSHIP OF LOWER FIRE DISTRICT #3  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(CONTINUED)

**7. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND OPERATING STATEMENTS AND THE STATEMENT OF ACTIVITIES**

The "net change in fund balances" for governmental funds \$98,514.27 differs from the "change in net assets" for governmental activities \$166,098.95. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial focus of the governmental funds.

1. When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year. Depreciation expense for the year ended December 31, 2011 is \$160,711.99.
2. Repayments of debt principal are reported as expenditures in governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. For the Fire District as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. The amount of debt principal repayment for 2011 is \$228,296.67.

**8. RELATED PARTY TRANSACTIONS**

The District makes quarterly payments to the Erma Fire Company, which is outlined in a contract. Additionally, the District also makes annual payment to the Bureau of Fire Safety. The bureau was created by the three Lower Township Fire Districts. The bureau earns its revenue from all three districts and is for inspections, user fees and violation fines. Each district pays the same amount each year.

**9. LEASES**

Early in 2006, the Fire District finalized a lease agreement with the Delaware River & Bay Authority (DRBA) for the lease of land on which the District's firehouse was constructed following a legal dispute on ownership of the aforementioned land between the Fire District and DRBA. Both parties to the dispute agreed on the terms of the lease which require payments of \$1 per annum to be made by the Fire District for 75 years beginning in 2006.

**10. ECONOMIC DEPENDENCY**

The District receives support from the local government. A significant reduction in the level of support, if this were to occur, would have an effect on the District's programs and activities.

**11. SUBSEQUENT EVENTS**

The District has evaluated subsequent events for potential recognition and/or disclosure through August 3, 2012, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

**TOWNSHIP OF LOWER FIRE DISTRICT #3**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	Budget	Budget Transfers	Final Budget	Actual	Variance - Favorable (Unfavorable)
<b>Revenues:</b>					
Taxes	\$ 683,789.00	\$ -	\$ 683,789.00	\$ 683,789.00	\$ -
Fund Balance Appropriated	103,000.00	-	103,000.00	-	(103,000.00)
Supplemental Fire Services Aid	-	-	-	1,306.24	1,306.24
Taxes Receivable Prior Year	-	-	-	-	-
Interest on Deposits and Investments	500.00	-	500.00	349.78	(150.22)
Miscellaneous Revenue	-	-	-	1,866.64	1,866.64
Total Revenues	<u>787,289.00</u>	<u>-</u>	<u>787,289.00</u>	<u>687,311.66</u>	<u>(99,977.34)</u>
<b>Expenditures:</b>					
Administration:					
Salaries & Wages	24,400.00	-	24,400.00	24,400.00	-
Elections	2,200.00	-	2,200.00	1,670.00	530.00
Cost of Operations & Maintenance:					
Advertising	1,000.00	-	1,000.00	279.62	720.38
Insurance Premiums	39,000.00	-	39,000.00	36,421.32	2,578.68
Maintenance and Repairs	147,500.00	-	147,500.00	50,053.07	97,446.93
Professional Services - Operations	16,700.00	-	16,700.00	10,714.06	5,985.94
Hydrant Fee	12,000.00	-	12,000.00	11,480.00	520.00
Bureau of Fire Safety	15,000.00	-	15,000.00	15,000.00	-
Supplies	1,500.00	-	1,500.00	2,381.33	(881.33)
Training and Education	10,000.00	-	10,000.00	9,243.38	756.62
Office Expenses	4,000.00	-	4,000.00	-	4,000.00
Utilities and Related Services	72,500.00	-	72,500.00	54,856.69	17,643.31
Purchase of Non-Bonded Assets	55,000.00	-	55,000.00	19,819.95	35,180.05
Contingent Expense	14,000.00	-	14,000.00	-	14,000.00
Length of Service Awards Program	51,000.00	-	51,000.00	33,348.00	17,652.00
Contracted Services	9,000.00	-	9,000.00	6,642.30	2,357.70
Erma Volunteer Fire	43,000.00	-	43,000.00	43,000.00	-
Debt Service:					
General Obligation Bonds - Principal	140,000.00	-	140,000.00	140,000.00	-
General Obligation Bonds - Interest	26,220.00	-	26,220.00	26,220.00	-
Capital Lease - Principal	88,296.00	-	88,296.00	88,296.67	(0.67)
Capital Lease - Interest	14,973.00	-	14,973.00	14,971.00	2.00
	<u>787,289.00</u>	<u>-</u>	<u>787,289.00</u>	<u>588,797.39</u>	<u>198,491.61</u>
Excess of Revenue over Expenditures	-	-	-	98,514.27	98,514.27
Fund Balance - January 1,	<u>413,404.85</u>	<u>-</u>	<u>413,404.85</u>	<u>413,404.85</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 413,404.85</u>	<u>\$ -</u>	<u>\$ 413,404.85</u>	<u>\$ 511,919.12</u>	<u>\$ 98,514.27</u>

**TOWNSHIP OF LOWER FIRE DISTRICT #3**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGET-TO-GAAP RECONCILIATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

Note A - Explanation of Differences Between Budgetary Inflows and Outflows GAAP Revenue and Expenditures

	General Fund
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 687,311.66
Difference - budget to GAAP: None	
	\$ 687,311.66
Uses / outflows of resources	
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 588,797.39
Difference - budget to GAAP:	
Principal	(228,296.67)
Depreciation	160,711.99
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds.	\$ 521,212.71

OTHER SUPPLEMENTARY INFORMATION



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**F O R D - S C O T T**

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

To the Board of Commissioners  
Township of Lower Fire District #3  
Erma, New Jersey

We have audited the financial statements of the Township of Lower Fire District #3, State of New Jersey (the "District"), as of and for the year ended December 31, 2011, and have issued our report thereon dated August 3, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division").

**Internal Control Over Financial Reporting**

Management of the Lower Township Fire District #3 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of the 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 that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division.

This report is intended solely for the information and use of management, the District Commissioners, others within the entity and the Division as well as other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Ford, Scott & Associates, L.L.C.*  
**FORD, SCOTT & ASSOCIATES, L.L.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

*Glen J. Ortman*

**Glen J. Ortman**  
**Certified Public Accountant**  
**Registered Municipal Accountant**  
**No. 427**

**August 3, 2012**

TOWNSHIP OF LOWER FIRE DISTRICT #3  
GENERAL CAPITAL FUND  
STATEMENT OF AMOUNT TO BE PROVIDED  
FOR RETIREMENT OF DEBT  
DECEMBER 31, 2011

Purpose	Balance Dec. 31, 2010	Debt Issued	Debt Paid	Balance Dec. 31, 2011
Bonds:				
Construction of Fire House, Purchase Equipment and Furnishings	\$ 450,000.00	\$	\$ 140,000.00	\$ 310,000.00
Lease:				
Purchase of New E-One HP 75 Foot Aerial Truck	279,336.79	_____	88,296.67	191,040.12
	<u>\$ 943,140.46</u>	<u>\$ _____</u>	<u>\$ 228,296.67</u>	<u>\$ 501,040.12</u>
			Paid by Budget Appropriation \$ 228,296.67	
			<u>\$ 228,296.67</u>	

TOWNSHIP OF LOWER FIRE DISTRICT #3  
GENERAL CAPITAL FUND  
STATEMENT OF SERIAL BONDS PAYABLE  
DECEMBER 31, 2011

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding December 31, 2011		Interest Rate	Balance Dec. 31, 2010	Paid	Balance Dec. 31, 2011
Construction of Engine Bay Facility	02/01/91	\$ 1,900,000.00	02/01/12	\$ 150,000.00	6.900%	\$ 450,000.00	\$ 140,000.00	\$ 310,000.00
			02/01/13	160,000.00	6.900%			

**TOWNSHIP OF LOWER FIRE DISTRICT #3**  
**STATISTICAL INFORMATION**  
**DECEMBER 31, 2011**

Property Tax Levies:

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

<u>Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2011	\$ 1,346,115,464.00	\$ 683,789.00	0.052
2010	1,359,812,782.00	683,071.00	0.050
2009	1,440,759,147.00	646,477.00	0.045
2008	1,434,112,173.00	647,991.00	0.045
2007	1,428,105,630.00	516,472.00	0.036
2006	470,367,337.00	507,903.00	0.108
2005	462,818,193.00	539,703.00	0.117
2004	452,934,188.00	529,933.00	0.117

TOWNSHIP OF LOWER FIRE DISTRICT #3  
ROSTER OF OFFICIALS  
DECEMBER 31, 2011

Board of Commissioners

<u>Name</u>	<u>Title</u>
David Lepor	Chairman
Jeffrey Van Mourik	Vice Chairman
Steven Douglass	Secretary
Gary Douglass	Treasurer
Kendul Kennedy	Asst. Secretary/Treasurer

**TOWNSHIP OF LOWER FIRE DISTRICT #3**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDING DECEMBER 31, 2011**

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: **Unqualified Opinion issued on the Financial Statements dated August 3, 2012**

Internal control over financial reporting:

- |  |           |
|--|-----------|
| 1) Material Weakness identified?       | <b>NO</b> |
| 2) Significant Deficiencies identified | <b>NO</b> |

Non-Compliance material to Financial Statements noted? **NO**

**II. FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

In accordance with Government Auditing Standards, our audit disclosed no findings relating to the financial statements that are required to be reported.

**MANAGEMENT RESPONSES**

Management is required to respond to findings and recommendations in the audit report. A corrective action plan is required to be filed with the Division of Local Government Services, Department of Community Affairs, State of New Jersey within 45 days of the filing of this report, if any findings and recommendations are noted in the audit report.

**STATUS OF PRIOR YEAR FINDINGS**

**FINDING 2010-1:**

Our tests of the payments of claims found six instances where there was no support for payments and fourteen instances where there was no voucher to support payments.

**RECOMMENDATIONS:**

That adequate support and approvals be required for all payments of claims.

**STATUS:**

This finding has been corrected.

**TOWNSHIP OF LOWER FIRE DISTRICT #3**  
**GENERAL COMMENTS**

Contracts and Agreements Required to be Advertised for N.J.S. 40A:11-4

N.J.S. 40A:11-4 states, "Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate statutory bid threshold except by contract or agreement."

The Board of Commissioners of the Township of Lower Fire District #3 has the responsibility of determining whether the expenditures in any category will exceed the statutory bid threshold within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the district counsel's opinion should be sought before a commitment is made.

Our examination of expenditures did not reveal payments in excess of the statutory threshold "for the performance of any work or the furnishing or hiring of any materials or supplies" other than those where bids had been previously sought by public advertisement, awarded under state or county cooperative purchasing agreements, or where a resolution had been previously adopted under the provisions of N.J.S. 40A:11-6.

The minutes indicate that there were no bids requested by public advertising for the year.

**FINDINGS AND RECOMMENDATIONS:**

**None**

Should any questions arise as to the comments or contents of this audit, or should you desire other assistance regarding such, please do not hesitate to contact me.

*Ford, Scott & Associates, L.L.C.*  
**FORD, SCOTT & ASSOCIATES, L.L.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

*Glen J. Ortman*

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**Certified Public Accountant**  
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**No. 427**

**August 3, 2012**