

**FIRE DISTRICT NO. 3
TOWNSHIP OF HADDON, NEW JERSEY
REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2013**



75 YEARS OF SERVICE

— 1939-2014 —

**FIRE DISTRICT NO. 3
TOWNSHIP OF HADDON, NEW JERSEY**

TABLE OF CONTENTS

<u>Exhibit No.</u>	<u>Page</u>
ROSTER OF OFFICIALS AND SURETY BONDS	1
FINANCIAL SECTION	
Independent Auditor's Report	3
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	6
Required Supplementary Information – Part I	
Management's Discussion and Analysis	9
Basic Financial Statements	
A. Government-Wide Financial Statements	
A-1 Statement of Net Position	16
A-2 Statement of Activities	17
B. Fund Financial Statements	
Governmental Funds:	
B-1 Balance Sheet	19
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	20
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Notes to the Financial Statements	22
Required Supplementary Information – Part II	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule – General Fund	35
C-2 Budgetary Comparison Schedule – Special Revenue Fund	N/A
Notes to the Required Supplementary Information	
C-3 Budgetary Comparison Schedule- Note to RSI	37
Other Supplementary Information	
F. Capital Projects Fund:	
F-1 Summary Statement of Project Expenditures	N/A
I. Long-Term Debt:	
I-1 Schedule of General Obligation Bonds	N/A
I-2 Schedule of Obligations under Capital Leases	N/A
I-3 Debt Service Fund Budgetary Comparison Schedule	N/A

FIRE DISTRICT NO. 3
TOWNSHIP OF HADDON, NEW JERSEY

TABLE OF CONTENTS (CONT'D)

<u>Exhibit No.</u>	<u>Page</u>
Schedule of Findings and Recommendations	
Schedule of Findings and Recommendations	39
Summary Schedule of Prior Year Audit Findings and Recommendations as Prepared by Management	46
APPRECIATION	48

FIRE DISTRICT NO. 3
TOWNSHIP OF HADDON, NEW JERSEY
Roster of Officials and Surety Bonds

Board of Commissioners

<u>Name</u>	<u>Title</u>	<u>Amount of Surety Bond</u>
Robert Applegate	Chairman	(A)
Cynthia Grudzinski	Secretary	(A)
Greg Grudzinski	Treasurer	(A)
Steve Horner	Commissioner	(A)
Vacant		

(A) All Commissioners handling funds were covered by a Blanket Dishonesty Bond with Brown and Brown Insurance in the amount of \$1,000,000.00 for each person.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District No. 3
Township of Haddon
Oaklyn, New Jersey 08107

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Township of Haddon Fire District No. 3, in the County of Camden, State of New Jersey, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Basis for Qualified Opinion on U.S. Generally Accepted Accounting Principles

Fire District management has not maintained adequate records for meeting minutes and, accordingly, we were unable to audit the official actions of the Board of Fire Commissioners.

Qualified Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Township of Haddon Fire District No. 3, in the County of Camden, State of New Jersey as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 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 of the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has not maintained adequate records for meeting minutes. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Haddon Fire District No. 3's basic financial statements. The related major fund supporting statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 9, 2014 on our consideration of the Township of Haddon Fire District No. 3's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Township of Haddon Fire District No. 3's internal control over financial reporting and compliance.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
June 9, 2014

**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**

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District No. 3
Township of Haddon
Oaklyn, New Jersey 08107

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities, and each major fund of the Township of Haddon Fire District No. 3, in the County of Camden, State of New Jersey, as of and for the year ended December 31, 2013 and the related notes to the financial statements, which collectively comprise Fire District's basic financial statements, and have issued our report thereon dated June 9, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Recommendations that we consider to be significant deficiencies as items 2013-1, 2013-2 and 2013-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Township of Haddon Fire District No. 3's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards or audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, and which are described in the accompanying Schedule of Findings and Recommendations as items 2013-2, 2013-3, 2013-4, 2013-5, 2013-6 and 2013-7.

The Township of Haddon Fire District No. 3's Response to Findings

The Township of Haddon Fire District No. 3's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Recommendations. The Fire District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fire District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the Fire District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
June 9, 2014

**REQUIRED SUPPLEMENTARY INFORMATION
PART I**

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3

Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

As management of the Township of Haddon Fire District No. 3, we offer readers of the Township of Haddon Fire District No. 3's financial statements this narrative overview and analysis of the financial activities of the Township of Haddon Fire District No. 3 for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the Township of Haddon Fire District No. 3's financial performance as a whole; readers should also review the information furnished in the notes to the basic financial statements and financial statements to enhance their understanding of the Township of Haddon Fire District No. 3's financial performance.

Financial Highlights

- The assets of the Township of Haddon Fire District No. 3 exceeded its liabilities at the close of the most recent year by \$54,717.52 (net position).
- As of the close of the current year, the Township of Haddon Fire District No. 3's governmental funds reported combined ending fund balances of \$52,777.83, an increase of \$3,251.66 in comparison with the prior year. Most of the increase was attributable to general operations of the Fire District.
- At the end of the current year, unassigned fund balance for the general fund was \$47,746.83, approximately a 11.92% increase from that of the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township of Haddon Fire District No. 3's basic financial statements. The Township of Haddon Fire District No. 3's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township of Haddon Fire District No. 3's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Township of Haddon Fire District No. 3's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township of Haddon Fire District No. 3 is improving or deteriorating.

The Statement of Activities presents information showing how the Township of Haddon Fire District No. 3's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., earned but unused sick leave).

Both of the government-wide financial statements distinguish functions of the Township of Haddon Fire District No. 3 that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Township of Haddon Fire District No. 3 include providing the necessary resources to fire companies within its territorial location so that they may be able to provide fire fighting services to the residents of the Township of Haddon.

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3

Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited) (Cont'd)

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. The Township of Haddon Fire District No. 3, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township of Haddon Fire District No. 3 constitute one fund type, governmental funds.

Governmental Funds. All of the Township of Haddon Fire District No. 3'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 periods. These funds are reported using an accounting method called modified accrual basis of 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 Township of Haddon Fire District No. 3's general government operations and the basic services 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 fire-fighting and emergency medical services operations.

The Township of Haddon Fire District No. 3 maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special revenue fund, capital projects fund, and debt service fund.

The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Also, the Township of Haddon Fire District No. 3 adopts an annual budget in accordance with N.J.S.A. 40A:14-78.3. Budgetary comparison schedules have been provided to demonstrate compliance with the budget.

Notes to the Financial Statement. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township of Haddon Fire District No. 3, assets exceeded liabilities by \$54,717.52 at the close of the most recent year.

The Township of Haddon Fire District No. 3's net position consists solely of unrestricted funds. Unrestricted funds are funds in which there exist no 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 HADDON FIRE DISTRICT NO. 3

Management's Discussion and Analysis

For the Year Ended December 31, 2013

(Unaudited) (Cont'd)

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3'S NET POSITION		
DECEMBER 31,		
	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$ 54,717.52	\$ 51,082.00
Total Assets	<u>54,717.52</u>	<u>51,082.00</u>
Net Position:		
Unrestricted	<u>\$ 54,717.52</u>	<u>\$ 51,082.00</u>

In total, assets of governmental activities increased by \$3,635.04 due to normal operations.

Governmental Activities. The Statement of Activities shows the cost of the governmental activities' program services and the charges for services and grants offsetting those services. Key elements of the increase in governmental activities are as follows:

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3'S STATEMENT OF ACTIVITIES		
FOR THE YEARS ENDED DECEMBER 31,		
	<u>2013</u>	<u>2012</u>
Expenses:		
Operating Appropriations:		
Administration	\$ 11,439.71	\$ 11,341.78
Cost of Operations and Maintenance	<u>20,000.00</u>	<u>20,000.00</u>
Total Program Expenses	<u>31,439.71</u>	<u>31,341.78</u>
General Revenues		
Taxes:		
Property Taxes, Levied for General Purposes	35,071.00	33,939.00
Miscellaneous Income	<u>3.75</u>	<u>3.74</u>
Total General Revenues	<u>35,074.75</u>	<u>33,942.74</u>
Change in Net Position	3,635.04	2,600.96
Net Position, January 1	<u>51,082.48</u>	<u>48,481.52</u>
Net Position, December 31	<u>\$ 54,717.52</u>	<u>\$ 51,082.48</u>

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

Property taxes constituted approximately 99.9% of revenues for governmental activities for the Fire District for the year 2013.

Cost of operations and maintenance comprised 63% of Fire District expenses, with administration comprising 37% of total expenses.

Financial Analysis of the Government's Funds

As stated earlier, the Township of Haddon Fire District No. 3 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund. The focus of the Township of Haddon Fire District No. 3's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township of Haddon Fire District No. 3's financing requirements. In particular, undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the close of the current year, the Township of Haddon Fire District No. 3's governmental funds reported combined ending fund balances of \$52,777.83, an increase of \$3,251.66 in comparison with the prior year. Most of the increase was attributable to general operations of the Fire District.

Of the combined ending fund balances of \$52,777.83, \$5,031.00 is designated for subsequent year expenditures. The remaining balance of \$47,746.83 constitutes unassigned fund balance in the general fund.

The general fund is the main operating fund of the Township of Haddon Fire District No. 3. At the end of the current year, unassigned fund balance of the general fund was \$47,746.83.

As mentioned, the general fund balance increased by \$3,251.66 during the current year. This increase was the result of normal operations.

General Fund Budgetary Highlights

The final budgetary basis revenue estimate was \$35,071.00. The original budgeted estimate was also \$35,071.00.

During the year 2013, the Township of Haddon Fire District No. 3 budgeted \$35,071.00 for property taxes (local tax levy).

The final budgetary basis expenditure appropriation estimate was \$41,939.00 which also was the original budgeted estimate.

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

Capital Asset and Debt Administration

Capital Assets. The Township of Haddon Fire District No. 3 does not own any capital assets. As previously stated, the Township of Haddon Fire District No. 3 merely provides funding to fire companies within its territorial location (currently, the Westmont Fire Company) so that they may be able to provide fire fighting services to the residents of the Township of Haddon.

Long-term Debt. At the end of the current year, the Township of Haddon Fire District No. 3 had no bonded debt, or any other type of outstanding debt.

Economic Factors and Next Year's Budget

For the 2013 year, the Township of Haddon Fire District No. 3 was able to sustain its budget through the fire district tax levy, and miscellaneous revenue sources. All of the anticipated revenue is from the local tax levy. The 2014 budget was adopted by the Commissioners, and the voters subsequently approved the budget at the annual fire district election held on February 15, 2014.

Requests for Information

This financial report is designed to provide a general overview of the Township of Haddon Fire District No. 3's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Robert Applegate, Chairman, at the Township of Haddon Fire District No. 3, P.O. Box 74, Oaklyn, New Jersey 08107.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3

Statement of Net Position

December 31, 2013

ASSETS:

Cash and Cash Equivalents	\$ 48,889.68
Accounts Receivable (Note 4)	3,888.15
Prepaid Expenses	<u>1,939.69</u>
Total Assets	<u>54,717.52</u>

NET POSITION:

Unrestricted	<u><u>\$ 54,717.52</u></u>
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The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3

Statement of Activities
For the Year Ended December 31, 2013

Expenses:	
Operating Appropriations:	
Administration	\$ 11,439.71
Cost of Operations and Maintenance	<u>20,000.00</u>
Total Program Expenses	<u>31,439.71</u>
Net Program Expenses	<u>31,439.71</u>
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	35,071.00
Miscellaneous Income	<u>3.75</u>
Total General Revenues	<u>35,074.75</u>
Change in Net Position	3,635.04
Net Position, January 1	<u>51,082.48</u>
Net Position, December 31	<u><u>\$ 54,717.52</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3

Balance Sheet
 Governmental Funds
 December 31, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and Cash Equivalents	\$ 48,889.68				\$ 48,889.68
Intergovernmental Accounts Receivable:					
Local	<u>3,888.15</u>				<u>3,888.15</u>
Total Assets	<u>\$ 52,777.83</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 52,777.83</u>
LIABILITIES AND FUND BALANCES:					
Fund Balances:					
Assigned:					
Subsequent Year's Expenditures	\$ 5,031.00				\$ 5,031.00
Unassigned:					
General Fund	<u>47,746.83</u>				<u>47,746.83</u>
Total Fund Balances	<u>52,777.83</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,777.83</u>
Total Liabilities and Fund Balances	<u>\$ 52,777.83</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:					
Payments made to vendors for services that will benefit periods beyond year end that are recorded as expenditures at the time of payment in the governmental funds.					
					<u>1,939.69</u>
Net assets of governmental activities					<u>\$ 54,717.52</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES:					
Amount to be Raised by Taxation to Support the District Budget	\$ 35,071.00				\$ 35,071.00
Non-Budgetary Revenues	<u>3.75</u>				<u>3.75</u>
Total Revenues	<u>35,074.75</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,074.75</u>
EXPENDITURES:					
Operating Appropriations:					
Administration	11,823.09				11,823.09
Cost of Operations and Maintenance	<u>20,000.00</u>				<u>20,000.00</u>
Total Expenditures	<u>31,823.09</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,823.09</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,251.66</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,251.66</u>
Net Change in Fund Balances	3,251.66				3,251.66
Fund Balance, January 1	<u>49,526.17</u>				<u>49,526.17</u>
Fund Balance, December 31	<u>\$ 52,777.83</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 52,777.83</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2013

Total Net Change in Fund Balances - Governmental Funds	\$ 3,251.66
Amounts reported for governmental activities in the statement of activities (A-2) are different because:	
In the statement of activities, certain operating expenses, e.g., insurance expenses 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 reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).	<u>383.38</u>
Change in Net Position of Governmental Activities	<u><u>\$ 3,635.04</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3

Notes to Financial Statements
For the Year Ended December 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity - Township of Haddon Fire District No. 3 is a political subdivision of the Township of Haddon located in Camden County, New Jersey. It was formed in 1942 through the adoption of a Township Ordinance. A board of four commissioners oversees all operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of every February.

Fire Districts are governed by N.J.S.A. 40A:14-70 et al. and are organized as a taxing authority charged with the responsibility of providing the resources necessary to provide fire fighting services to the residents within its territorial location. With no fire company within its jurisdiction, the Fire District contracts for fire protection services with the Westmont Fire Company.

Component Units - GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, provide guidance that all entities associated with a primary government are potential component units, and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statements No. 14 and No. 39. In addition, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, provides additional guidance for organizations that do not meet the financial accountability criteria for inclusion as component units but that nevertheless should be included because the primary government's management determines that it would be misleading to exclude them. As of December 31, 2013, it has been determined by the Fire District that no component units exist.

Basis of Presentation - The financial statements of 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 in this note.

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

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the Fire District as a whole. These statements include the financial activities of the government. The statement of net position presents the financial condition of the governmental activities of the Fire District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Fire 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 Fire District is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Basis of Presentation (Cont'd)**

Government-wide Financial Statements (Cont'd) - Revenues, which are not classified as program revenues, are presented as general revenues of the Fire District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Fire District.

Fund Financial Statements - During the year, the Fire District segregates transactions related to certain Fire 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 Fire 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 Fire 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 the Fire District, only one category of funds exists, that being governmental.

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 the 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 Fire District's major governmental funds:

General Fund - The general fund is the general operating fund of the Fire 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.

Special Revenue Fund - The special revenue fund is used to account for and report the proceeds of specific revenue sources, such as state or federal government grants, that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of major capital facilities such as fire houses and firefighting apparatus. Generally, the financial resources of the capital projects fund are derived from the issuance of debt or by the utilization 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.

Debt Service Fund - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflow of resources, liabilities, and deferred inflows of resources associated with the operation of the Fire District are included on the statement of net position.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus (Cont'd)**

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 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 government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting - Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-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 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 Fire District, available means expected to be received within thirty days of year-end.

Non-exchange transactions, in which the Fire 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 year. The Fire 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 Fire District is entitled to receive moneys under the following established payment schedule: on or before April 1, an amount equaling 21.25% of all moneys assessed; on or before July 1, an amount equaling 22.5% of all moneys assessed; on or before October 1, an amount equaling 25% of all moneys assessed; and on or before December 31, an amount equaling the difference between the total of all moneys so assessed and the total amount of moneys 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 Fire District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Fire 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

The fire commissioners must introduce and approve the annual budget 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 Fire District. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the fire commissioners may, by majority vote, adopt the budget.

Amendments may be made to the Fire 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, except for provisions allowed by N.J.S.A. 40A:14-78.5.

Subsequent to the adoption of the Fire District budget, the amount of money to be raised by taxation in support of the Fire 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 Fire District's basic fund financial statements.

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

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule, to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances - governmental funds. Note that the Fire District does not report encumbrances outstanding at year end as expenditures in the general fund since the general fund budget follows modified accrual basis of accounting.

Encumbrances - Under encumbrance accounting purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Encumbrances are a component of fund balance at year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. Open encumbrances in the governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included with committed or assigned fund balance, as appropriate.

Open encumbrances in the special revenue fund, however, for which the Fire District has received advances of grant awards, and all eligibility and time requirements satisfied are reflected on the balance sheet as unearned grant revenue at year end.

The encumbered appropriation authority carries over into the next year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current year end.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash, Cash Equivalents and Investments (Cont'd) - 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 Fire 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.

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 State or federally chartered banks, savings banks or associations located in the State of New Jersey, or state 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 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.

Inventories - Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in governmental fund types is recorded as expenditures when purchased rather than when consumed.

Inventories recorded on the government-wide financial statements are recorded as expenditures when consumed rather than when purchased. At December 31, 2013, no material amount of inventories existed.

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 government-wide financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2013. At December 31, 2013, \$1,939.69 of prepaid expenses existed.

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 position.

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Fire District is eligible to realize the revenue.

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities, and long-term obligations are reported in the government-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, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Net Position - Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

Net investment in capital assets - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

Restricted - Net position is 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.

Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

The Fire District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance - The Fire District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the Fire District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Fire District's classifications, and policies for determining such classifications, are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Fire District's highest level of decision-making authority, which, for the Fire District, is the Board of Commissioners. Such formal action consists of an affirmative vote by the Board of Commissioners, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Commissioners removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - The assigned fund balance classification includes amounts that are constrained by the Fire District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Commissioners or by the business manager, to which the Board of Commissioners has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business manager is established by way of a formal job description for the position, approved by the Board of Commissioners.

Unassigned - The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fund Balance (Cont'd) - When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the Fire District to spend restricted fund balances first. Moreover, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the Fire District to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

Interfunds - Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2: CASH AND CASH EQUIVALENTS

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 Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Fire District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Fire District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized. The Fire District's amount on deposit of \$48,889.68 as of December 31, 2013, was insured under FDIC.

Note 3: PROPERTY TAX LEVIES

Following is a tabulation of Fire 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>
2013	\$ 145,903,000.00	\$35,071.00	\$ 0.025
2012	146,128,800.00	33,939.00	0.024
2011	146,043,600.00	33,939.00	0.024 *
2010	81,606,800.00	38,939.00	0.048
2009	81,594,700.00	38,939.00	0.048

* - Revaluation

Note 4: ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2013 consisted of amounts owed from the Township of Haddon for fire district taxes and the supplemental fire services grant. These funds are expected to be collected within one year.

Accounts receivable as of year-end for the Fire District's individual major funds, in the aggregate, are as follows:

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total
Intergovernmental	<u>\$ 3,888.15</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 3,888.15</u>

Note 5: RISK MANAGEMENT

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

Property and Liability Insurance - The Fire District maintains commercial insurance coverage for property, liability, and surety bonds.

Note 6: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

As of and for the year ended December 31, 2013, no interfund receivables or payables, or transfers among funds, existed.

Note 7: FUND BALANCES APPROPRIATED - GENERAL FUND

The 2014 annual budget of the Fire District was adopted on January 20, 2014 and subsequently approved by the voters at the annual election held on February 15, 2014. The adopted budget utilized \$5,031.00 of fund balance in the general fund.

The following presents the total fund balance of the general fund as of the end of the last five years and the amount utilized in the subsequent year's budget:

<u>Year</u>	Balance <u>Dec. 31</u>	Utilization in Subsequent <u>Budget</u>
2013	\$ 52,777.83	\$ 5,031.00
2012	49,526.17	6,868.00
2011	46,925.21	6,000.00
2010	43,059.74	-
2009	33,530.40	-

Note 8: FUND BALANCES**ASSIGNED**

As stated in note 1, the assigned fund balance classification includes amounts that are constrained by the Fire District's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the Fire District's fund balance are summarized as follows:

General Fund -

For Subsequent Year's Expenditures - The Fire District has appropriated and included as anticipated revenue for the year ending December 31, 2014, \$5,031.00 of general fund balance at December 31, 2013.

UNASSIGNED

As stated in note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The Fire District's unassigned fund balance is summarized as follows:

General Fund - As of December 31, 2013, \$47,746.33 of general fund balance was unassigned.

Note 9: ACCOUNTING STANDARDS PRONOUNCEMENT TO BE IMPLEMENTED IN FUTURE PERIODS

Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* was issued in June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

Note 9: ACCOUNTING STANDARDS PRONOUNCEMENT TO BE IMPLEMENTED IN FUTURE PERIODS (CONT'D)

- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

This Statement is effective for fiscal years beginning after June 15, 2014.

Statement No. 69, Government Combinations and Disposals of Government Operations was issued in January 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transaction. Government mergers include combinations of legally separate entities without the exchange of significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations.

A disposal of a government's operations results in the removal of specific activities of a government. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold.

This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees was issued in April 2013. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range.

Note 9: ACCOUNTING STANDARDS PRONOUNCEMENT TO BE IMPLEMENTED IN FUTURE PERIODS (CONT'D)

This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees.

The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a nonexchange financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a nonexchange financial guarantee may be applied prospectively.

Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date - and amendment of GASB Statement No. 68 was issued in November 2013. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine *all* such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2013

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES:					
Amount to be Raised by Taxation to Support the District Budget	\$ 35,071.00		\$ 35,071.00	\$ 35,071.00	
Total Anticipated Revenues	35,071.00	-	35,071.00	35,071.00	-
Non-Budgetary Revenues: Miscellaneous				3.75	\$ 3.75
Total Non-Budgetary Revenues	-	-	-	3.75	3.75
Total Revenues	35,071.00	-	35,071.00	35,074.75	3.75
EXPENDITURES:					
Operating Appropriations:					
Administration:					
Other Expenses:					
Election	500.00		500.00	620.03	(120.03)
Insurance	2,000.00		2,000.00	2,297.00	(297.00)
Office Supplies	439.00		439.00	155.48	283.52
Professional Services	14,000.00		14,000.00	6,300.00	7,700.00
Advertising	400.00		400.00	154.58	245.42
Commissioner Fees	2,600.00		2,600.00	2,296.00	304.00
Internet Service	2,000.00		2,000.00		2,000.00
Total Administration	21,939.00	-	21,939.00	11,823.09	10,115.91

(Continued)

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2013

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
EXPENDITURES (CONT'D):					
Operating Appropriations (Cont'd):					
Cost of Operations and Maintenance:					
Other Expenses:					
Fire Protection	\$ 20,000.00	_____	\$ 20,000.00	\$ 20,000.00	_____
Total Cost of Operations and Maintenance	<u>20,000.00</u>	<u>-</u>	<u>20,000.00</u>	<u>20,000.00</u>	<u>-</u>
Total Expenditures	<u>41,939.00</u>	<u>-</u>	<u>41,939.00</u>	<u>31,823.09</u>	<u>\$ 10,115.91</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (6,868.00)</u>	<u>-</u>	<u>\$ (6,868.00)</u>	3,251.66	<u>\$ 10,119.66</u>
Fund Balance, Beginning				<u>49,526.17</u>	
Fund Balance, Ending				<u>\$ 52,777.83</u>	
Recapitulation:					
Assigned					
Subsequent Year's Expenditures				\$ 5,031.00	
Unassigned				<u>47,746.83</u>	
				<u>\$ 52,777.83</u>	

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3
 Required Supplementary Information
 Budgetary Comparison Schedule
 Note to RSI
 For the Year Ended December 31, 2013

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources / Inflows of Resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule.	\$ 35,074.75	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	_____	_____
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	\$ 35,074.75	-
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	\$ 31,823.09	
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	_____	_____
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	\$ 31,823.09	-

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3
Schedule of Findings and Recommendations
For the Year Ended December 31, 2013

Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Finding No. 2013-1

Criteria or Specific Requirement

Good internal control practices require that the district have a disaster recovery plan in place to be able to recover pertinent information.

Condition

The minutes from the meetings of the Board of Fire Commissioners were not available for the 2013 Audit.

Context

As part of our audit, the official actions approved by the Board of Fire Commissioners could not be determined because no minutes from the meetings held during the year were available.

Effect

Without a disaster recovery plan in place, the district was not able to recover pertinent information.

Cause

There was a failure to have a disaster recovery plan in place to locate missing files.

Recommendation

The Fire District should establish a disaster recovery plan to ensure that all records are able to be recovered.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3
Schedule of Findings and Recommendations
For the Year Ended December 31, 2013

Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Finding No. 2013-2

Criteria or Specific Requirement

New Jersey Laws and Regulations require a legal appropriation prior to the commitment of expenditure of the Fire District's funds.

Condition

The Fire District over-expended two budget line-items from the 2013 budget by \$417.03.

Context

The over-expenditures were discovered when comparing the Fire District's expenditures to the 2013 budget appropriations.

Effect

The Fire District is not in compliance with the New Jersey laws and regulations covering budgeting and expending of Fire District Funds.

Cause

There was a failure to have effective controls in place over budgeting for appropriations and expending funds from the Fire District appropriations.

Recommendation

That the Fire District establish effective controls over budgeting and over expenditures to assure that a legal appropriation is sufficient to cover expenditures prior to the commitment and or disbursement of funds.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3
Schedule of Findings and Recommendations
For the Year Ended December 31, 2013

Schedule of Financial Statement Findings (Cont'd)

Finding No. 2013-3

Criteria or Specific Requirement

Good internal control practices require that bank reconciliations be prepared on a monthly basis and have all of its outstanding items accounted for properly.

Condition

The Fire District did not have bank reconciliations being prepared on a monthly basis.

Context

During the audit of financial information for the Fire District, it was noted that monthly bank reconciliations were not being prepared.

Effect

Without proper internal controls over the preparation of bank reconciliations, the Fire District would not have a mechanism present to discover errors present in their financial position.

Cause

Fire District personnel were not preparing bank reconciliations on a monthly basis.

Recommendation

The Fire District should establish proper internal controls over the preparation of complete and accurate bank reconciliations.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3
Schedule of Findings and Recommendations
For the Year Ended December 31, 2013

Schedule of Financial Statement Findings (Cont'd)

Finding No. 2013-4

Criteria or Specific Requirement

In accordance with N.J.A.C. 5:31-2.4(a), N.J.A.C. 5:31-2.4(g) and N.J.S.A. 40A:5-14; the Board of Fire Commissioners are required to perform the matters below.

Condition

The auditor was unable to verify:

1. The Fire District held a hearing for the introduction of the budget.
2. The Fire District adopted the budget by majority vote of the full membership of the commissioners.
3. The Fire District adopted a Cash Management Plan in accordance with N.J.S.A. 40A:5-14.

Context

The Fire District's failure to comply with N.J.A.C. 5:31-2.4(a), N.J.A.C. 5:31-2.4(g) and N.J.S.A. 40A:5-14 was discovered during the review of the Board of Fire Commissioners meeting minutes.

Effect

The Board of Fire Commissioners has not complied with the regulations.

Cause

The Board of Fire Commissioners has not follow rules promulgated by the State of New Jersey.

Recommendation

That the Board of Fire Commissioners comply with all rules and regulations promulgated by the State of New Jersey, specifically, the hearing for the introduction of the budget, the adoption of the budget by majority vote, and the cash management plan.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3
Schedule of Findings and Recommendations
For the Year Ended December 31, 2013

Schedule of Financial Statement Findings (Cont'd)

Finding No. 2013-5

Criteria or Specific Requirement

In accordance with N.J.S.A. 40A:14-78.1 and N.J.S.A. 40A:14-78.4 the Board of Fire Commissioners are required to perform the matters referred to below.

Condition

With respect to advertising information in the official newspaper:

1. The fire district did not advertise the date, time and place of the hearing for the adoption of the budget at least ten days prior to such hearing in the official newspaper.
2. A copy of the adopted budget was not advertised in the official newspaper at least seven days prior to the annual election in accordance with statute N.J.S.A. 40A:14-78.4.

Context

The fire district's failure to comply with N.J.S.A. 40A:14-78.1 and N.J.S.A. 40A:14-78.4 was discovered during the auditor's review of newspaper advertisements.

Effect

The Board of Fire Commissioners has not complied with the regulations.

Cause

Failure to follow rules promulgated by the State of New Jersey.

Recommendation

That the Board of Fire Commissioners comply with all rules and regulations promulgated by the State of New Jersey, specifically, the advertisement of the date, time and place of the budget hearing and the adopted budget.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3
Schedule of Findings and Recommendations
For the Year Ended December 31, 2013

Schedule of Financial Statement Findings (Cont'd)

Finding No. 2013-6

Criteria or Specific Requirement

In accordance with N.J.A.C. 5:31-7.6(i), (h), and (g), the Board of Fire Commissioners are required to perform the post audit matters referred to below.

Condition

With respect to the filing of the Report of Audit for the year ended December 31, 2012:

1. The Board of Fire Commissioners did not prepare a corrective action plan and file with the Bureau of Authority Regulation.
2. The Board of Fire Commissioners did not advertise a synopsis of the annual audit and file it with the Bureau of Authority Regulation.
3. The Board of Fire Commissioners did not certify by resolution, to the Local Finance Board that each member reviewed the annual report of audit, specifically, the section entitled "Findings and Recommendations".

Context

The Fire District's failure to comply with N.J.A.C. 5:31-7.6(i), (h), and (g) was discovered while auditing the Fire District's official advertisements and minute records.

Effect

The Board of Fire Commissioners has not complied with the regulations.

Cause

Failure to follow rules promulgated by the New Jersey Administrative Code.

Recommendation

That the Board of Fire Commissioners comply with all filings and other matters required subsequent to the filing of the annual audit, specifically, the corrective action plan, advertisement of the synopsis of the annual audit and certification by resolution to the Local Finance Board that each member reviewed the annual report of audit in accordance with the Code.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3
Schedule of Findings and Recommendations
For the Year Ended December 31, 2013

Schedule of Financial Statement Findings (Cont'd)

Finding No. 2013-7

Criteria or Specific Requirement

In accordance with N.J.A.C. 5:31-7.6(d), a Fire District audit shall be completed and the audit filed with the governing body within four months after the close of the Fire District's fiscal year.

Condition

The audit for the year ended December 31, 2013 has not been filed by April 30, 2014.

Context

All records required for audit were not made available in time to file the audit by April 30, 2014.

Effect

The Board of Fire Commissioners has not complied with the New Jersey Administrative Code.

Cause

The records were not maintained in a manner that the records could be made available for audit timely.

Recommendation

That all records of the Fire District be made readily available in order to file the audit by April 30th in accordance with N.J.A.C. 5:31-7.6(d).

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3
 Summary Schedule of Prior Year Audit Findings
 and Recommendations as Prepared by Management

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

FINANCIAL STATEMENT FINDINGS

Finding No. 2012-1

Condition

The Fire District over-expended a budget line-item from the 2012 budget by \$96.00.

Current Status

These conditions still exist and will be reported in Finding 2013-1.

Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

Finding No. 2012-2

Condition

The auditor was unable to verify:

1. The Board of Fire Commissioners certified by resolution that each member reviewed the annual report of audit, specifically, the section entitled "Findings and Recommendations."
2. The fire district held a hearing for the introduction of the budget.
3. The fire district adopted the budget by majority vote of the full membership of the commissioners.
4. The fire district adopted a Cash Management Plan in accordance with N.J.S.A. 40A:5-14.

Current Status

Condition 1 still exist and will be reported in Finding 2013-5.

Conditions 2,3, and 4 still exist and will be reported in Finding 2013-3.

Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

Finding No. 2012-3

Condition

With respect to advertising information in the official newspaper:

1. The fire district did not advertise the date, time and place of the hearing for the adoption of the budget at least ten days prior to such hearing in the official newspaper.
2. A copy of the adopted budget was not advertised in the official newspaper at least seven days prior to the annual election in accordance with statute N.J.S.A. 40A:14-78.4.

Current Status

These conditions still exist and will be reported in Finding 2013-4.

Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3
Summary Schedule of Prior Year Audit Findings
and Recommendations as Prepared by Management

FINANCIAL STATEMENT FINDINGS (CONT'D)

Finding No. 2012-4

Condition

The audit for the year ended December 31, 2012 has not been filed by April 30, 2013.

Current Status

These conditions still exist and will be reported in Finding 2013-6.

Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

39303

APPRECIATION

We express our appreciation for the assistance and courtesies rendered by the Fire District officials during the course of the audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bowman & Company LLP".

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

