

**FIRE DISTRICT NO. 3
TOWNSHIP OF HADDON, NEW JERSEY
REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2011**

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

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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)
James Grudzinski	Treasurer	(A)
Cynthia Grudzinski	Secretary	(A)
Greg Grudzinski	Commissioner	(A)
Steve Horner	Commissioner	(A)

(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

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, 2011, which collectively comprise the Fire District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Haddon Fire District No. 3's management. 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 includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 14, 2012 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 and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a 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 opinions on the financial statements that collectively comprise the Township of Haddon Fire District No. 3's basic financial statements as a whole. The related major fund supporting statements and schedules listed in the table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements. These statements and schedules are the responsibility of management and were derived from and relate 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 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 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 basic financial statements as a whole.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
May 14, 2012

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

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

We have audited 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, 2011, and have issued our report thereon dated May 14, 2012. 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, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Township of Haddon Fire District No. 3 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Fire 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 Fire District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fire District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Recommendations that we consider to be a significant deficiency in internal control over financial reporting as finding no.: 2011-1. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Haddon Fire District No. 3's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey which are described in the accompanying Schedule of Findings and Recommendations as findings no.: 2011-1 and 2011-2.

The Township of Haddon Fire District No. 3's responses to the findings identified in our report are described in the accompanying Schedule of Findings and Recommendations. We did not audit the Township of Haddon Fire District No. 3's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the Fire District, others within the Fire District, the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
May 14, 2012

**REQUIRED SUPPLEMENTARY INFORMATION
PART I**

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3

Management's Discussion and Analysis

For the Year Ended December 31, 2011

(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, 2011. 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 \$48,481.52 (net assets).
- 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 \$46,925.21, an increase of \$3,865.47 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 \$40,925.21, approximately a 4.96% decrease 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) district-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements themselves.

District-wide financial statements. The district-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 Assets 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 assets. Over time, increases or decreases in net assets 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 assets changed during the most recent year. All changes in net assets 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 district-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, 2011

(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 Assets 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 district-wide and fund financial statements.

District-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 \$48,481.52 at the close of the most recent year.

The Township of Haddon Fire District No. 3's net assets consist solely of unrestricted funds. Unrestricted net assets 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, 2011

(Unaudited) (Cont'd)

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3'S NET ASSETS		
DECEMBER 31,		
	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 48,481.52	\$ 45,479.53
Total Assets	<u>48,481.52</u>	<u>45,479.53</u>
Net Assets:		
Unrestricted	<u>\$ 48,481.52</u>	<u>\$ 45,479.53</u>

In total, assets of governmental activities increased by \$3,001.99 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>2011</u>	<u>2010</u>
Expenses:		
Operating Appropriations:		
Administration	\$ 11,901.76	\$ 11,211.02
Cost of Operations and Maintenance	<u>20,000.00</u>	<u>20,021.78</u>
Total Program Expenses	<u>31,901.76</u>	<u>31,232.80</u>
General Revenues		
Taxes:		
Property Taxes, Levied for General Purposes	33,939.00	38,939.00
State Aid Unrestricted	961.00	1,795.15
Miscellaneous Income	<u>3.75</u>	<u>6.21</u>
Total General Revenues	<u>34,903.75</u>	<u>40,740.36</u>
Increase in Net Assets	3,001.99	9,507.56
Net Assets, January 1	<u>45,479.53</u>	<u>35,971.97</u>
Net Assets, December 31	<u>\$ 48,481.52</u>	<u>\$ 45,479.53</u>

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3

Management's Discussion and Analysis

For the Year Ended December 31, 2011

(Unaudited)

Property taxes constituted approximately 97.2% of revenues for governmental activities for the Fire District for the year 2011.

Cost of operations and maintenance comprised 62.7% of Fire District expenses, with administration comprising 37.3% 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, unreserved 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 \$46,925.21 an increase of \$3,865.47 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 \$46,925.21, of this amount, \$6,000.00 is designated for subsequent year expenditures. The remaining balance of \$40,925.21 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 \$40,925.21.

As mentioned, the general fund balance increased by \$3,865.47 during the current year. This increase was the result of normal operations.

General Fund Budgetary Highlights

The final budgetary basis revenue estimate was \$34,900.00. The original budgeted estimate was also \$34,900.00.

During the year 2011, the Township of Haddon Fire District No. 3 budgeted \$33,939.00 and \$961.00 for property taxes (local tax levy) and state aid revenues (supplemental fire services grant), respectively.

The final budgetary basis expenditure appropriation estimate was \$39,900.00 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, 2011
(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 Oaklyn 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 2012 year, the Township of Haddon Fire District No. 3 was able to sustain its budget through the township tax levy, state aid, and miscellaneous revenue sources. All of the anticipated revenue is from the local tax levy. The 2012 budget was adopted by the Commissioners, and the voters subsequently approved the budget at the annual fire district election held on February 18, 2012.

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

DISTRICT-WIDE FINANCIAL STATEMENTS

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3
Statement of Net Assets
December 31, 2011

ASSETS:	
Cash and Cash Equivalents	\$ 44,169.06
Accounts Receivable (Note 4)	2,756.15
Prepaid Expenses	<u>1,556.31</u>
Total Assets	<u>48,481.52</u>
NET ASSETS:	
Unrestricted	<u><u>\$ 48,481.52</u></u>

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, 2011

Expenses:	
Operating Appropriations:	
Administration	\$ 11,901.76
Cost of Operations and Maintenance	<u>20,000.00</u>
Total Program Expenses	<u>31,901.76</u>
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	33,939.00
State Aid Unrestricted	961.00
Miscellaneous Income	<u>3.75</u>
Total General Revenues	<u>34,903.75</u>
Increase in Net Assets	3,001.99
Net Assets, January 1	<u>45,479.53</u>
Net Assets, December 31	<u><u>\$ 48,481.52</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, 2011

	<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	\$ 44,169.06				\$ 44,169.06
Intergovernmental Accounts Receivable:					
Local	<u>2,756.15</u>				<u>2,756.15</u>
Total Assets	<u>\$ 46,925.21</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 46,925.21</u>
LIABILITIES AND FUND BALANCES:					
Fund Balances:					
Assigned:					
Subsequent Year's Expenditures	\$ 6,000.00				\$ 6,000.00
Unassigned:					
General Fund	<u>40,925.21</u>				<u>40,925.21</u>
Total Fund Balances	<u>46,925.21</u>	<u>-</u>	<u>-</u>	<u>-</u>	46,925.21
Total Liabilities and Fund Balances	<u>\$ 46,925.21</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Amounts reported for <i>governmental activities</i> in the statement of net assets (A-1) are different because:					
Payments made to vendors for services that will benefit periods beyond fiscal year end that are recorded as expenditures at the time of payment in the governmental funds.					
					<u>1,556.31</u>
Net assets of governmental activities					<u>\$ 48,481.52</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, 2011

	<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:					
Operating Grant Revenue	\$ 961.00				\$ 961.00
Amount to be Raised by Taxation to Support the District Budget	33,939.00				33,939.00
Non-Budgetary Revenues	<u>3.75</u>				<u>3.75</u>
Total Revenues	<u>34,903.75</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,903.75</u>
EXPENDITURES:					
Operating Appropriations:					
Administration	11,038.28				11,038.28
Cost of Operations and Maintenance	<u>20,000.00</u>				<u>20,000.00</u>
Total Expenditures	<u>31,038.28</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,038.28</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,865.47</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,865.47</u>
Net Change in Fund Balances	3,865.47				3,865.47
Fund Balance, January 1	<u>43,059.74</u>				<u>43,059.74</u>
Fund Balance, December 31	<u>\$ 46,925.21</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 46,925.21</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, 2011

Total Net Change in Fund Balances - Governmental Funds	\$ 3,865.47
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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., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

(863.48)

Change in Net Assets of Governmental Activities

\$ 3,001.99

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, 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity - 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 five 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 firefighting services to the residents within its territorial location. Fire District No. 3 of the Township of Haddon has one fire company within its jurisdiction, the Oakland Fire Company within its jurisdiction.

Component Units - GASB Statement No. 14, *The Financial Reporting Entity*, provides 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 Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. As of December 31, 2011, it has been determined by the Fire District that no component units exist.

Basis of Presentation - The financial statements of the Township of Haddon Fire District No. 3 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 district-wide statements, including 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 include the financial activities of the government. The Statement of Net Assets 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. 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.

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

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 fire districts, 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 its of financial resources. The acquisition of certain capital assets, such as firefighting 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 the proceeds of specific revenues sources, such as state or federal government grants and appropriations, which are legally restricted to expenditures for specified purposes.

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

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Measurement Focus

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

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the district-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

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

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

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

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.

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

Budgets / Budgetary Control (Cont'd) - 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 Exhibit 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. Open encumbrances in governmental funds other than the special revenue fund are reported as reservations of fund balances 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 special revenue fund for which the Fire District has received advances are reflected in the balance sheet as deferred revenues 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.

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.

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

Inventories and Prepaid Expenses - 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 district-wide financial statements are recorded as expenditures when consumed rather than when purchased. As of December 31, 2011, no inventories existed.

Prepaid expenses recorded in the governmental fund types, which benefit future periods, are recorded as an expenditure during the year of purchase. Prepaid expenses recorded on the district-wide financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2011.

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Fire District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Fund Balance (Cont'd) -**

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.

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.

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 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, bail funds, or funds that may pass to the Fire District relative to the happening of a future condition.

As of December 31, 2011, none of the Fire District's bank balances of \$44,169.06 were exposed to custodial credit.

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>
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
2008	81,756,100.00	41,700.00	0.052
2007	81,484,100.00	43,134.00	0.053

* - Revaluation

Note 4: RECEIVABLES

Receivables at December 31, 2011 consisted of accounts (fees) and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds.

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Intergovernmental	\$ 2,756.15	-	-	-	\$ 2,756.15

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 AND PAYABLES

As of December 31, 2011, no interfund receivables or payables existed.

Note 7: FUND BALANCES APPROPRIATED

The 2012 annual budget of the Fire District was adopted on January 23, 2012 and subsequently approved by the voters at the annual election. The budget utilized \$6,000.00 of fund balance in the General Fund.

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

<u>Year</u>	<u>Balance Dec. 31</u>	<u>Utilization in Subsequent Budget</u>
2011	\$ 46,925.21	\$ 6,000.00
2010	43,059.74	-
2009	33,530.40	-
2008	28,199.21	-
2007	19,861.11	-

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:

For Subsequent Year's Expenditures - The Fire District has appropriated and included as anticipated revenue for the year ending December 31, 2012, \$6,000.00 of general fund balance at December 31, 2011.

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, 2011, \$40,925.21 of general fund balance was unassigned.

**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, 2011

	<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:					
Operating Grant Revenue:					
Supplemental Fire Services Grant (P.L. 1985, Ch. 295)	\$ 961.00	-	\$ 961.00	\$ 961.00	-
Amount to be Raised by Taxation to Support the District Budget	33,939.00	-	33,939.00	33,939.00	-
Total Anticipated Revenues	34,900.00	-	34,900.00	34,900.00	-
Non-Budgetary Revenues:					
Miscellaneous	-	-	-	3.75	\$ 3.75
Total Non-Budgetary Revenues	-	-	-	3.75	3.75
Total Revenues	34,900.00	-	34,900.00	34,903.75	3.75
EXPENDITURES:					
Operating Appropriations:					
Administration:					
Other Expenses:					
Election	400.00	100.00	500.00	496.78	3.22
Insurance	3,000.00		3,000.00	1,868.87	1,131.13
Office Supplies	500.00	(100.00)	400.00	62.30	337.70
Professional Services	13,000.00		13,000.00	6,000.00	7,000.00
Advertising	400.00		400.00	13.33	386.67
Commissioner Fees	2,600.00		2,600.00	2,597.00	3.00
Total Administration	19,900.00	-	19,900.00	11,038.28	8,861.72

(Continued)

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2011

	<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	20,000.00	_____	20,000.00	20,000.00	_____
Total Expenditures	39,900.00	-	39,900.00	31,038.28	\$ 8,861.72
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (5,000.00)</u>	<u>-</u>	<u>\$ (5,000.00)</u>	3,865.47	<u>\$ 8,865.47</u>
Fund Balance, Beginning				43,059.74	
Fund Balance, Ending				<u>\$ 46,925.21</u>	
Recapitulation:					
Assigned					
Subsequent Year's Expenditures				\$ 6,000.00	
Unassigned				40,925.21	
				<u>\$ 46,925.21</u>	

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3

Required Supplementary Information

Budgetary Comparison Schedule

Note to RSI

For the Year Ended December 31, 2011

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

	General <u>Fund</u>	Special Revenue <u>Fund</u>
Sources / Inflows of Resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule.	\$ 34,903.75	
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)	<u>\$ 34,903.75</u>	<u>-</u>
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	\$ 31,038.28	
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)	<u>\$ 31,038.28</u>	<u>-</u>

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

TOWNSHIP OF HADDON FIRE DISTRICT NO. 3
Schedule of Findings and Recommendations
For the Year Ended December 31, 2011

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. 2011-1

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), N.J.A.C. 5:31-7.6(h) 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 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.

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), N.J.A.C. 5:31-7.6(h) 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

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, a resolution stating that each member reviewed the annual audit, 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, 2011

Schedule of Financial Statement Findings (Cont'd)

Finding No. 2011-2

Criteria or Specific Requirement

In accordance with N.J.S.A. 40A:14-78.1, N.J.S.A. 40A:14-78.4, and N.J.A.C. 5:31-3.1 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
3. The fire district did not advertise the Synopsis of the 2010 Report of Audit.

Context

The Fire District's failure to comply with N.J.S.A. 40A:14-78.1, N.J.S.A. 40A:14-78.4, and N.J.A.C. 5:31-3.1 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, the adopted budget and the synopsis of the Report of Audit.

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. 2010-1

Condition

The minutes of the meetings of the Board of Fire Commissioners for January through October 2010 were not available for audit.

Current Status

This condition has been resolved.

Finding No. 2010-2

Condition

Our audit of disbursements disclosed that claimant certifications were not obtained from vendors for expenditures.

Current Status

The condition has been resolved.

Finding No. 2010-3

Condition

With respect to the filing of the Report of Audit for the year ended December 31, 2009:

1. The Board of Fire Commissioners did not prepare a corrective action plan and file a copy with the Bureau of Authority Regulation.
2. 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".

Current Status

Condition 1 has been resolved. Condition 2 still exists and will be reported in Finding 2011-1.

Planned Corrective Action

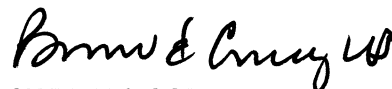
The fire district will pass the appropriate resolution at their monthly meetings.

39303

APPRECIATION

I express my 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", written in a cursive style.

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

