

**MAURICE RIVER**  
**FIRE DISTRICT NO. 1**  
**COUNTY OF CUMBERLAND**  
**REPORT OF AUDIT**  
**DECEMBER 31, 2013**

The following officials were in office during 2013:

<u>NAME</u>	<u>TITLE</u>	<u>AMOUNT OF SURETY BOND</u>
<u>Board of Commissioners</u>		
Joseph Sterling	President	
Roger Riggins	Vice-President	
Ed Turner	Treasurer	\$40,000
Betty Phillips	Secretary	
Wayne Whilden	Commissioner	

**FINANCIAL SECTION**

# NIGHTLINGER, COLAVITA & VOLPA

*A Professional Association*

*Certified Public Accountants*

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P.O. Box 799  
Williamstown, NJ 08094

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March 14, 2014

## INDEPENDENT AUDITOR'S REPORT

Chairman and Members of the  
Maurice River Fire District No. 1  
County of Cumberland  
P.O. Box 60  
Leesburg, New Jersey 08327

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Maurice River Fire District No. 1 ("the Fire District"), County of Cumberland, State of New Jersey as of and for the year ended December 31, 2013, which collectively comprise the Fire District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

The Fire District's 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 basic 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 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 opinions.

## **Opinions**

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 Maurice River Township Fire District No. 1, County of Cumberland, State of New Jersey, as of December 31, 2013, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **New Accounting Standards**

As discussed in Note 1 to the financial statements, the Fire District adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB): Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the accompanying Management Discussion and Analysis on pages 6 through 12, along with budgetary comparison information on pages 29 through 31 and page 34 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 Fire District'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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are 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 March 14, 2014 on our consideration of the Fire District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Respectfully submitted,

**NIGHTLINGER, COLAVITA & VOLPA, P.A.**

Raymond Colavita, C.P.A.  
Registered Municipal Accountant

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March 14, 2013

## 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

Chairman and Members of the  
Maurice River Fire District No. 1  
County of Cumberland  
P.O. Box 60  
Leesburg, New Jersey 08327

We have audited the financial statements of the governmental activities and each major fund of the Maurice River Township Fire District No. 1 (the "Fire District"); County of Cumberland, State of New Jersey, as of and for the year ended December 31, 2013, which collectively comprise the Maurice River Township Fire District No. 1, County of Cumberland, State of New Jersey's basic financial statements and have issued our report thereon dated March 14, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the New Jersey Division of Local Government Services – Bureau of Authority Regulation.

### 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the district's internal control over financial reporting.

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 misstatement 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 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 over financial reporting was for the limited purposes 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 and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Reportable Conditions and Other Findings, we identified one deficiency in internal control over financial reporting that we consider to be significant, labeled as 2013-2. In addition, we did note one immaterial instance of noncompliance that was also reflected in the Reportable Conditions and Findings, labeled 2013-1.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

This report is intended for the information of the audit committee, management, federal and state awarding agencies and pass-through entities and the Bureau of Authority Regulation. However, this report is a matter of public record.

Respectfully submitted,

**NIGHTLINGER, COLAVITA & VOLPA, P.A.**

Raymond Colavita, C.P.A.  
Registered Municipal Accountant

**REQUIRED SUPPLEMENTARY INFORMATION – PART I**

**MAURICE RIVER TOWNSHIP FIRE DISTRICT No. 1  
COUNTY OF CUMBERLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

**UNAUDITED**

As management of the Maurice River Township Fire District No. 1, we offer readers of the Maurice River Township Fire District No. 1 financial statements this narrative overview and analysis of the financial activities of the Maurice River Township Fire District No. 1 for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the Fire District's financial performance as a whole. Readers should also review the information furnished in the notes to the basic financial statements along with the financial statements to enhance their understanding of the Fire District's financial performance. This presentation is in conformance with GASB 34, which provides more detailed comparisons to prior year financial information.

Financial Highlights

- The assets of Maurice River Township Fire District No. 1 exceeded its liabilities at the close of the most recent year by \$391,509 (Net Position).
- As of the close of the current year, the Maurice River Township Fire District No. 1's governmental funds reported combined ending fund balances of \$99,505, representing a decrease of \$3 in comparison with the prior year.

**Overview of Financial Statements**

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

**District-wide Financial Statements.** The district-wide financial statements are designed to provide readers with a broad overview of the Maurice River Township Fire District No. 1's finances, in a manner similar to a private sector business.

The Statement of Net Position presents information on all of the Maurice River Township Fire District No. 1'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 Maurice River Township Fire District No. 1 is improving or deteriorating.

The Statement of Activities presents information showing how the Maurice River Township Fire District No. 1'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 certain items that will result in cash flows in future periods. Both of the district-wide financial statements distinguish functions of the Maurice River Township Fire District No. 1 that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Maurice River Township Fire District No. 1 include fire-fighting/suppression services that are provided to the citizens of the Maurice River Township Fire District No. 1.

**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 Maurice River Township Fire District No. 1, 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 Maurice River Township Fire District No. 1 constitute one fund type, which is the governmental fund type.

**Governmental Funds.** All of the Maurice River Township Fire District No. 1'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 the 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 Maurice River Township Fire District No. 1's general government operations and the basic services it provides. Government fund information provides insight as to determining a range of financial resources available to finance fire-fighting/suppression services in the near future.

The Maurice River Township Fire District No. 1 maintains a maximum of 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 the debt service fund.

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

Also, Maurice River Township Fire District No. 1 adopts an annual budget in accordance with N.J.S.A. 40A:14:78-3. Budgetary comparison schedules have been provided to demonstrate compliance regarding spending within the budget, as well as provide management with a planning tool to achieve the goals of the District.

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

### **District-wide Financial Analysis**

The Net Position reported each year, and amount of change thereon, provide a useful indicator of a government's financial position. In the case of the Maurice River Township Fire District No. 1, assets exceeded liabilities by \$391,509 at the close of the current year.

The largest portion of the Maurice River Township Fire District No. 1's Net Position (76 percent) reflects its investment in capital assets (i.e. buildings and equipment). The District uses these assets to provide fire-fighting/suppression services to the citizens of the Maurice River Township Fire District No. 1. Consequently these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from operating sources, since the capital assets themselves cannot be used to liquidate those liabilities.

**Statement of Net Position**

Table 1 provides a comparative summary of the Fire District's Net Position for the years ended in 2013 and 2012.

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Cash	\$ 101,942	\$ 102,311
Capital Assets, Net	896,264	911,842
Security Deposit		81
<b>Total Assets</b>	<u>998,206</u>	<u>1,014,234</u>
<b>Liabilities</b>		
Accounts Payable	2,437	2,884
Accrued Interest	5,939	5,967
Bond and Loan Debt due		
Within one year	51,561	48,177
Non-current Liabilities	546,760	599,424
<b>Total Liabilities</b>	<u>606,697</u>	<u>656,452</u>
<b>Net Assets</b>	<u>\$ 391,509</u>	<u>\$ 357,782</u>
<b>Analysis of Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	\$ 297,943	\$ 264,241
Restricted for:		
Future Capital Outlay	20,226	20,226
Debt Service	18,611	2,425
Unrestricted	54,729	70,890
<b>Total net assets</b>	<u>\$ 391,509</u>	<u>\$ 357,782</u>

In total, Net Position of governmental activities increased by \$33,727 from the previous year. The increase is primarily attributed to an excess of operating revenues over expenses for the year.

Total Liabilities decreased by \$49,755 from 2012 as a result of decreases in debt service obligations of \$49,280, accrued interest of \$28 and accounts payable of \$447.

**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 from the years 2013 and 2012. Key elements of the increase in governmental activities are as follows:

**Table 2  
Statement of Activities**

	<u>2013</u>	<u>2012</u>
Expenses		
Operating Expenses		
Administration	\$ 12,298	\$ 46,470
Cost of Operations and Maintenance	35,898	35,543
Depreciation Expense	23,265	1,887
Interest on Long-Term Debt	24,941	13,661
	<hr/>	<hr/>
Total Program Expenses	96,402	97,561
	<hr/>	<hr/>
Program Revenues		
Operating Grants & Contributions	576	25,577
	<hr/>	<hr/>
Net Program Expenses	95,826	71,984
	<hr/>	<hr/>
General Revenues		
Property Taxes, Levied for General Purpose	53,615	47,897
Taxes Levied for Debt Service	75,901	81,456
Unrestricted Investment Earnings	37	147
	<hr/>	<hr/>
Total General Revenues	129,553	129,500
	<hr/>	<hr/>
Increase in Net Assets	33,727	57,516
	<hr/>	<hr/>
Adjustment to Fixed Assets		6,000
	<hr/>	<hr/>
	33,727	63,516
	<hr/>	<hr/>
Net Position, January 1	357,782	294,266
	<hr/>	<hr/>
Net Position, December 31	\$ 391,509	\$ 357,782
	<hr/> <hr/>	<hr/> <hr/>

Property taxes levied for general purposes constituted 41% of revenues for government activities, while taxes levied for debt service made up 58%. Operating grants and interest earnings comprised less than 1% of total revenue for 2013.

Operations and Maintenance comprised 37% of fire district expenses, with Administration 13%, Interest on Long-Term Debt 26% and Depreciation 24%.

## **Financial Analysis of the Government Funds**

As previously stated, the Maurice River Township Fire District No. 1 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Fund.** The focus of the Maurice River Township Fire District No. 1's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Maurice River Township Fire District No. 1'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 and as a useful measure of permitting a governmental unit to maintain cash flow in anticipation of tax collections.

As of the end of the current year, the Maurice River Township Fire District No. 1's governmental funds reported combined ending fund balances of \$99,505, representing a decrease of \$3 in comparison with the prior year.

Of the combined ending fund balances, unrestricted fund balance constituted \$79,279, of which \$18,611 has been utilized in the 2014 budget for Maurice River Township Fire District No. 1. The remaining fund balance of \$20,226 is restricted for future capital outlay and is not available for operating expenditures. The general fund is the main operating of the Fire District.

The general fund of the Maurice River Township Fire District No. 1's decreased by \$1,655 during the current year. Key factors are as follows:

- The fund balance decreased primarily due to operating expenditures exceeding operating revenues.

### **General Fund Budgetary Highlights**

During 2013, the Maurice River Township Fire District No. 1 did not modify its general fund budget through budget transfers approved in the minutes.

Grants awarded during the year were \$576 from the Fire Services Program.

The original General Fund budgetary revenue estimate of \$53,535 was the same as the final budget. This amount was made up of \$52,810 for taxes (local tax levy), supplemental fire service program aid of \$575 and interest of \$150.

The General Fund portion of the local tax levy allocated to debt service was \$76,706, of which \$49,279 was expended for Note Payment Principal, along with \$24,970 in interest expense.

The original budgetary expenditure estimate of \$55,960 was the same as the final budget for planned expenditure appropriations. The final budgetary basis expenditure appropriation estimate is equal to the final budgetary basis revenue and the fund balance appropriated, in the amount of \$2,425.

### Capital Projects Fund

During 2012, the District completed its renovation and expansion of the Leesburg Fire House. There were no other open capital projects as of December 31, 2013.

### Capital Assets and Debt Administration

The Maurice River Township Fire District No. 1's investment in capital assets for its governmental activities as of December 31, 2013 amounts to \$ 1,074,366, less depreciation expense of \$178,102. This investment in capital assets includes building improvements, vehicles and firefighting equipment.

CAPITAL ASSETS  
(NET OF ACCUMULATED DEPRECIATION COMPUTED)

	<u>2012</u>		<u>2012</u>
Land, Buildings and Improvements	\$ 875,903	\$	896,736
Vehicles and Equipment	20,361		15,106
Total Capital Assets	<u>\$ 896,264</u>	<u>\$</u>	<u>911,842</u>

Additional information on the Maurice River Township Fire District No. 1's capital assets can be found in Note 3 in the notes to financial statements.

### Long-Term Obligations

As of December 31, 2013, the Maurice River Township Fire District No. 1 had a balance of \$465,837 in bonded debt, \$132,484 in Notes Payable and no obligations under capital lease agreements.

### Economic Factors and Next Years Budget

For the 2013 year the Maurice River Township Fire District No. 1 sustained its budget through the district tax levy and other sources of revenue. Approximately 99% of total revenue is from the local tax levy and the remaining 1% is from other sources.

The Board of Fire Commissioners adopted the 2013 budget December 16, 2013 and the voters will subsequently approve the budget at a special election held on May 17, 2014.

The Fire District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of accrual accounting.

### Contacting the Fire District's Financial Management

This financial report is designed to provide our patrons, citizens, taxpayers, and creditors with a general overview of the Fire District's finances and to show the Fire District's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Ed Turner, Treasurer Maurice River Fire District No. 1, PO Box 60, Leesburg, NJ 08327.

## **BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS**

**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2013**

	<b><u>Governmental Activities</u></b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 101,942
Land, Buildings, and Improvements, Net	875,903
Equipment, Net	20,361
Total Assets	<u>998,206</u>
<b>LIABILITIES</b>	
Accounts Payable	2,437
Accrued Interest on Long Term Debt	5,939
Bond and Loan Debt Due Within One Year	51,561
Non-current Liabilities:	
Loan Due Beyond One Year	546,760
Total Liabilities	<u>606,697</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	297,943
Restricted for:	
Other Purposes	38,837
Unrestricted	54,729
Total Net Position	<u>\$ 391,509</u>

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

**STATEMENT OF ACTIVITIES**  
**DECEMBER 31, 2013**

**Governmental**  
**Activities**

Expenses:	
Operating Appropriations:	
Administration	\$ 12,298
Cost of Operations and Maintenance	35,898
Depreciation Expense	23,265
Interest on Long-Term Debt	24,941
	<hr/>
Total Program Expenses	96,402
Program Revenues:	
Operating Grants and Contributions	576
	<hr/>
Net Program Expenses	95,826
	<hr/>
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	53,615
Taxes Levied for Debt Service	75,901
Unrestricted Investment Earnings	37
	<hr/>
Total General Revenues	129,553
	<hr/>
Increase in Net Assets	33,727
Net Position, January 1	357,782
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Net Position, December 31	\$ 391,509
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**The accompanying Notes to Financial Statements are an integral part of this statement.**

**FUND FINANCIAL STATEMENTS**

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2013**

	General Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 22,663	\$ 79,279	\$ 101,942
Total Assets	\$ 22,663	\$ 79,279	\$ 101,942
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	2,437		2,437
Total Liabilities	2,437		2,437
Fund Balances:			
Restricted			
Future Capital Outlay	20,226		20,226
Assigned, Reported In:			
Designated for Future Year's Expenditures		18,611	18,611
Unassigned, Reported In:			
General Fund		60,668	60,668
Total Fund Balances	20,226	79,279	99,505
Total Liabilities and Fund Balances	\$ 22,663	\$ 79,279	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$1,074,366. Depreciation was computed at \$178,102. (Note 3)

896,264

Accrued Interest on Long-term Debt

(5,939)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 5).

(598,321)

Net position of governmental activities

\$ 391,509

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Operating State Aid and Grant Revenue	\$ 576	\$	\$ 576
Amount to be Raised by Taxation	53,615	75,901	129,516
Non-Budgetary Revenues	37		37
<b>Total Revenues</b>	<b>54,228</b>	<b>75,901</b>	<b>130,129</b>
<b>EXPENDITURES</b>			
Operating Appropriations:			
Administration	12,298		12,298
Cost of Operations and Maintenance	43,585		43,585
Debt Service			
Principal		49,279	49,279
Interest		24,970	24,970
<b>Total Expenditures</b>	<b>55,883</b>	<b>74,249</b>	<b>130,132</b>
Excess (Deficiency) of Revenues Over Expenditures	(1,655)	1,652	(3)
<b>OTHER FINANCING SOURCES (USES)</b>			
Total Other Financing Sources (Uses)			
<b>Net Change in Fund Balances</b>	<b>(1,655)</b>	<b>1,652</b>	<b>(3)</b>
Fund Balance—Jan 1	21,881	77,627	99,508
Fund Balance—Dec 31	\$ 20,226	\$ 79,279	\$ 99,505

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

**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**

<b>Total net change in fund balances - governmental funds (from B-2)</b>	<b>\$ (3)</b>
Amounts reported for governmental activities in the statement of activities (A-2) are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.	
Depreciation expense	(23,265)
Capital outlays	7,687
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.	49,279
Accrued interest on long term debt is recorded as an expenditure in the Statement of Activities where as payments of interest are reflected in the Governmental Funds.	29
Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets.	
Capital lease proceeds	
<b>Change in net assets of governmental activities (A-2)</b>	<b>\$ <u>33,727</u></b>

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

## **NOTES TO THE FINANCIAL STATEMENTS**

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- a. **Description of Reporting Entity** - Fire District No. 1 of Maurice River is a political subdivision of the Township of Maurice River, Cumberland County, New Jersey. It was formed 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 taxpaying authority charged with the responsibility of providing the resources necessary to provide fire-fighting services to the residents within its territorial location. Fire District No. 1 serves the Leesburg area of the Township.

The Fire District is not a component unit of any other financial reporting entity as to Governmental Accounting Standards Board Statement No. 14.

- b. **Basis of Accounting, Measurement Focus and Basis of Preparation** - The financial statements of the Fire District conform to 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. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting. 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 Position 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 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. 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.

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2013**  
**(CONTINUED)**

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

**b. Basis of Accounting, Measurement Focus and Basis of Presentation (Continued)**

**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, which is governmental.

**Governmental Funds:**

**General Fund** - The General Fund is the general operating fund of the Fire District and is used to account for its inflows and outflows of 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 the proceeds of specific revenue sources, such as state or federal government grants and appropriations that 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 fire fighting 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. During 2012, the District completed its renovation and expansion of the Leesburg Fire House. There were no other open capital projects as of December 31, 2013.

**Debt Service Fund** - The Debt Service Fund is used to account for resources that will be used to service general long-term debt liabilities recorded in the Statement of Net Position.

**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 Position.

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2013**  
**(CONTINUED)**

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

**Measurement Focus: (Continued)**

**Fund Financial Statements** – All governmental funds are accounted for using a flow of current financial resources measurement focus, of which only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances are 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 reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

- c. **Budgets and Budgetary Accounting** - 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 hearings 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.

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 financial statements.

Amounts reported under "final budget" in Exhibit C-1 and I-3, and in the detail statements, generally include modifications to the adopted budget that were made during the year as approved by the Board of Commissioners. The budget was not modified during the current year.

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.

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2013**  
**(CONTINUED)**

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

**c. Budgets and Budgetary Accounting (Continued)**

**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, other than in 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. Due to the small size of the Fire District, the selective encumbrance method is implemented rather than a full encumbrance system.

Open encumbrances, if any, 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.

Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amount as of the current year-end.

- d. 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. All certificates of deposit are recorded as cash regardless of the date of maturity.

New Jersey governments are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey governments.

N.J.S.A. 17:9-41 et seq. establishes the requirements for 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 the 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.

- e. Inventories and Prepaid Expenses** - Inventories and prepaid expenses, which benefit future periods, are recorded as an expenditure during the year of purchase.

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

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2012**  
**(CONTINUED)**

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

- g. Capital Assets** - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide Statement of Net Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Fire District maintains a capitalization threshold of \$1,000. The Fire District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not. All reported capital assets except land and construction in progress are required to be depreciated. Improvements are to be depreciated over the remaining useful lives of the related capital assets.

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

<b><u>Description</u></b>	<b><u>Estimated Lives</u></b>
Buildings and Improvements	30 Years
Vehicles	5-10 Years
Firefighting Equipment	5 Years

While depreciation has not been computed or reported as reflected in the comments section of the audit, it will be computed as of December 31, 2013.

N.J.S.A. 40A:14-84 governs the procedures for the acquisition of property and equipment for Fire Districts, and N.J.S.A. 40A:14-85 to 87 governs procedures for the issuance of any debt related to such purchases. In summary, Fire Districts may purchase fire fighting apparatus and equipment and land and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation or property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or 2 percent of the assessed valuation of property, whichever is larger.

- h. Long-Term Obligations** - Long-term debt is recognized as a liability of the Fire District when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of the Fire District. The remaining portion of such obligations is reported in the Statement of Net Position.
- i. Unearned Revenue** - Deferred revenue in the special revenue fund represents cash, which has been received but not yet earned.

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2013**  
**(CONTINUED)**

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

- j. Fire District Taxes** - Upon the proper certification to the assessor of the municipality in which the Fire District is located, the assessor shall assess the amount of taxes to be raised in support of the Fire District's budget in the same manner as all other municipal taxes. The collector or treasurer of the municipality shall then pay over to the treasurer or custodian of funds of the Fire District the taxes assessed in accordance with the following schedule, per 40A:4-79: 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.
- k. Fund Balance and Reserves** - Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources. Fund balance reserves are established for encumbrances, legally restricted appropriations and future capital outlays.
- l. Use of Estimates** - In order for the preparation of basic financial statements to be in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- m. Comparative Data** - Comparative total data for the prior year have been presented in selected sections of the accompanying basic financial statements in order to provide an understanding of the changes in the Fire District's financial position and operations.
- n. 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 components represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for 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 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 assets are available.

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2013**  
**(CONTINUED)**

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

**o. 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 polices for determining such classifications are as follows:

**Non Spendable-** The non spendable fund balance classification included 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 externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**Committed-** The committed fund balance classification includes amounts that can 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 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 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.

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2013**  
**(CONTINUED)**

- p. **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, including Ad Valorem (property) taxes, grants, entitlements, and donations. 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, grants, fees, and rentals are revenue sources considered to be both measurable and available at year-end.

- q. **Accrued Liabilities** - While expenses incurred and paid in full from current financial resources are in general reported as obligations of the various funds, expenses that are not paid with expendable and available financial resources are accrued, such as for compensated absences and other obligations for claims and judgments.
- r. **New Accounting Standards** - During fiscal year 2013, the district adopted the following GASB statements:
- GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect in a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.
  - GASB 65, *Items Previously Reported as Assets and Liabilities*, although not required to be implemented until next year, the District elected to apply the statement to the current year financial statements. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items were previously reported as assets and liabilities and recognize, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2013**  
**(CONTINUED)**

**2. CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk**

All bank deposits and investments as of the balance sheet date are entirely insured or collateralized by a pool maintained by public depositories as required by the Governmental Unit Protection Act and are classified as to credit risk.

Custodial Credit Risk for deposits is the risk that, in the event of a bank failure, the districts deposits may not be returned to it. Although the district does not have a formal policy regarding custodial credit risk, as described in note 1: N.J.S.A. 17:9-41 et. Seq. requires that governmental units shall deposit public funds in public depositories protected from loss under provisions of the Governmental Unit Protection Act.

The Fire District designates and approves a list of authorized depository institutions based on an evaluation of solicited responses and presentation of GUDPA certifications provided by the financial institutions.

As of December 31, 2013, none of the districts bank balance of \$61,932 was exposed to custodial credit risk.

**3. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance December 31, 2011	Additions	Adjustment	Balance December 31, 2012
Land, Building, & Improve	\$ 896,736	\$	\$	\$ 896,736
Work in Progress				
Equipment	169,943	7,687		177,630
Totals at Historical Cost	<u>1,066,679</u>	<u>7,687</u>		<u>1,074,366</u>
Less Accum. Depreciation for:				
Land, Build & Improve		(20,833)		(20,833)
Equipment	(154,837)	(2,432)		(157,269)
Total Accum. Depreciation	<u>(154,837)</u>	<u>(23,265)</u>		<u>(178,102)</u>
Capital Assets, Net	<u>\$ 911,842</u>	<u>\$ (15,578)</u>	<u>\$</u>	<u>\$ 896,264</u>

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2013**  
**(CONTINUED)**

**4. PROPERTY TAX LEVIES**

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

<u>Fiscal</u> <u>Year</u>	<u>Assessed</u> <u>Valuations</u>	<u>Total</u> <u>Tax Levy</u>	<u>Property</u> <u>Tax Rates</u>
2013	\$ 97,720,000	\$129,516	.133
2012	97,402,781	129,353	.133
2011	97,191,917	127,702	.132
2010*	97,482,064	127,483	.131
2009	47,391,668	127,228	.269

\* Reflects first year of Revaluation

**5. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGET**

There were no deferred charges to be raised in 2013.

**6. LITIGATION**

No contingent liabilities were noted per the Solicitor's written response to our inquiry.

**7. PURCHASE OF NEW FIRE TRUCK**

On December 14, 2006, the Local Finance Board of the State of New Jersey approved the application to acquire a new Rescue Fire Truck for the Leesburg area of Maurice River Township. Total cost of the vehicle was \$499,579, consisting of a down payment of \$122,579 and loan proceeds of \$377,000, for a term not to exceed ten years, as provided by statute.

The downpayment was funded by Restricted Fund Balance of \$47,588, proceeds from the sale of a used truck in the amount of \$30,000 and a contribution from the Fire Company in the amount of \$25,300.

The scheduled annual principal and interest payments remaining for the new rescue truck are as follows:

<u>Date</u>	<u>Principal</u>	<u>Interest</u>
4/10/2014	\$ 42,075	\$ 6,467
4/10/2015	44,129	4,413
4/10/2016	46,280	2,260
	<u>\$ 132,484</u>	<u>\$ 13,140</u>

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2013**  
**(CONTINUED)**

**8. RENOVATION AND EXPANSION TO FIRE HALL**

On October 15, 2011, the District received correspondence from US Department of Agriculture – Rural Development concerning the issuance of bonds in the amount of \$475,000, for the purpose of financing the renovation and expansion of Leesburg Fire Hall.

The planned schedule of annual principal and interest payments for the renovation and expansion are as follows:

<u>Date</u>	<u>Principal</u>	<u>Interest</u>
12/31/14	\$ 9,486	\$ 16,222
12/31/15	9,821	15,887
12/31/16	10,168	15,540
12/31/17	10,527	15,181
12/31/18	10,898	14,810
12/31/19	11,283	14,425
12/31/20	11,681	14,027
12/31/21	12,094	13,614
12/31/22	12,521	13,187
12/31/23	12,963	12,745
12/31/24	13,421	12,287
12/31/25	13,894	11,814
12/31/26	14,385	11,323
12/31/27	14,893	10,815
12/31/28	15,419	10,289
12/31/29	15,963	9,745
12/31/30	16,527	9,181
12/31/31	17,110	8,598
12/31/32	17,714	7,994
12/31/33	18,340	7,368
12/31/34	18,987	6,721
12/31/35	19,657	6,051
12/31/36	20,351	5,357
12/31/37	21,070	4,638
12/31/38	21,814	3,894
12/31/39	22,584	3,124
12/31/40	23,381	2,327
12/31/41	24,207	1,501
12/31/42	24,678	1,030
Total	\$ <u>465,837</u>	\$ <u>279,695</u>

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2013**  
**(CONTINUED)**

**9. LONG-TERM DEBT**

The following changes occurred in long-term obligations:

	<u>Principal Outstanding 12/31/2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Principal Outstanding 12/31/2013</u>	<u>Due Within One Year</u>
Obligations under Capital Lease	\$ 647,601	\$	\$ 49,280	\$ 598,321	\$ 51,561

**10. FUND BALANCES APPROPRIATED**

The following presents the fund balance and the amount utilized in the subsequent year's budget for the current and preceding four years:

Year	End of Year		Utilization in Subsequent Budget	
	<u>Restricted</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Unrestricted</u>
2013	\$ 20,226	\$ 79,279		\$ 18,611
2012	20,226	79,282		2,425
2011	539,497	85,157		52,000
2010	61,357	133,480	\$39,229	21,278
2009	91,307	39,229		59,250

**11. RISK MANAGEMENT**

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

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

**REQUIRED SUPPLEMENTARY INFORMATION – PART II**

**BUDGETARY COMPARISON SCHEDULES**

**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(WITH TOTALS FOR 2012)**

	2013			Variance	2012
	Original Budget	Modified Budget	Actual	Favorable (Unfavorable)	Actual
<b>Revenues</b>					
<b>Revenues and Other Financing Sources:</b>					
Operating Revenue - State Aid					
Supplemental Fire Services Program	\$ 575	\$ 575	\$ 576	\$ 1	\$ 577
USDA Grant					25,000
<b>Total Operating Revenue - State Aid</b>	<b>575</b>	<b>575</b>	<b>576</b>	<b>1</b>	<b>25,577</b>
Miscellaneous Revenue not Anticipated:					
Interest on Deposits and Investments	150	150	37	(113)	147
<b>Total Miscellaneous Revenue not Anticipated</b>	<b>150</b>	<b>150</b>	<b>37</b>	<b>(113)</b>	<b>147</b>
<b>Total District Tax to Support District Budget</b>	<b>52,810</b>	<b>52,810</b>	<b>53,615</b>	<b>805</b>	<b>47,897</b>
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 53,535</b>	<b>\$ 53,535</b>	<b>\$ 54,228</b>	<b>\$ 693</b>	<b>\$ 73,621</b>
<b>Expenditures</b>					
<b>Administrative:</b>					
Professional Services	\$ 11,000	\$ 11,000	\$ 11,706	\$ (706)	\$ 45,852
Advertising	200	200	103	97	218
Election	400	400	489	(89)	400
<b>Total Administration</b>	<b>11,600</b>	<b>11,600</b>	<b>12,298</b>	<b>(698)</b>	<b>46,470</b>
<b>Operating and Maintenance:</b>					
Maintenance and Repairs	18,860	18,860	17,531	1,329	14,272
Utilities	12,000	12,000	12,031	(31)	11,250
Equipment	10,000	10,000	10,519	(519)	7,021
Supplies	500	500	504	(4)	
Clothing Allowance	3,000	3,000	3,000		3,000
<b>Total Operating and Maintenance</b>	<b>\$ 44,360</b>	<b>\$ 44,360</b>	<b>\$ 43,585</b>	<b>\$ 775</b>	<b>\$ 35,543</b>

See Notes to Financial Statements

**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(WITH TOTALS FOR 2012)**

	2013			Variance	2012
	Original Budget	Modified Budget	Actual	Favorable (Unfavorable)	Actual
Capital Appropriations:					
Reserve for Future Capital Outlays	\$	\$	\$	\$	\$
Total Capital Appropriations					
Total Expenditures	55,960	55,960	55,883	77	82,013
Excess (Deficit) of Revenue Over Expenditures	(2,425)	(2,425)	(1,655)	770	(8,392)
Transfer to Capital Projects Fund					(19,000)
Fund Balance - Beginning of Year	21,881	21,881	21,881		49,273
Fund Balance - End of Year	\$ 19,456	\$ 19,456	\$ 20,226	\$ 770	\$ 21,881

See Notes to Financial Statements

**NOTES TO THE REQUIRED SUPPLEMENTARY  
INFORMATION**

**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**NOTE TO RSI**  
**FOR THE FISCAL 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>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 54,228	\$
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.	<u>\$ 54,228</u>	<u>\$</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 55,883	\$
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 55,883</u>	<u>\$</u>

See Notes to Financial Statements

**OTHER SUPPLEMENTARY INFORMATION**

**LONG-TERM DEBT**

**SCHEDULE OF NOTE PAYABLE - NEW RESCUE FIRE TRUCK**

Date of Original Note	Original Amount	Interest Rate	Maturity as of December 31, 2013		Balance December 31, 2012	Debt Issued	Redeemed	Balance December 31, 2013
			Dates	Amounts				
9/10/05	\$377,000	4.80%			\$ 40,117	\$	\$ 40,117	\$
			2014	\$ 42,075	42,075			42,075
			2015	44,128	44,128			44,128
			2016	46,281	46,281			46,281
					<u>\$ 172,601</u>	<u>\$</u>	<u>\$ 40,117</u>	<u>\$ 132,484</u>

See Notes to Financial Statements

**SCHEDULE OF NOTE PAYABLE - IMPROVEMENT TO FIRE HALL**

Date of Original Note	Original Amount	Maturity as of December 31, 2013		Interest Rate	Balance December 31, 2012	Debt Issued	Redeemed	Balance December 31, 2013
		Dates	Amounts					
8/1/09	\$475,000			4.25%	\$ 9,163	\$	\$ 9,163	\$
		2014	\$ 9,486		9,486			9,486
		2015	9,821		9,821			9,821
		2016	10,168		10,168			10,168
		2017	10,527		10,527			10,527
		2018	10,898		10,898			10,898
		2019	11,283		11,283			11,283
		2020	11,681		11,681			11,681
		2021	12,094		12,094			12,094
		2022	12,521		12,521			12,521
		2023	12,963		12,963			12,963
		2024	13,421		13,421			13,421
		2025	13,894		13,894			13,894
		2026	14,385		14,385			14,385
		2027	14,893		14,893			14,893
		2028	15,419		15,419			15,419
		2029	15,963		15,963			15,963
		2030	16,527		16,527			16,527
		2031	17,110		17,110			17,110
		2032	17,714		17,714			17,714
		2033	18,340		18,340			18,340
		2034	18,987		18,987			18,987
		2035	19,657		19,657			19,657
		2036	20,351		20,351			20,351
		2037	21,070		21,070			21,070
		2038	21,814		21,814			21,814
		2039	22,584		22,584			22,584
		2040	23,381		23,381			23,381
		2041	24,207		24,207			24,207
		2042	24,678		24,678			24,678
					\$ 475,000	\$	\$ 9,163	\$ 465,837

See Notes to Financial Statements

**BUDGETARY COMPARISON SCHEDULE**  
**DEBT SERVICE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	2013				2012
	Original Budget	Modified Budget	Actual	Variance Positive (Negative) Final to Actual	Actual
<b>REVENUES:</b>					
Amount to be Raised by Taxation to Support the District Budget	\$ 76,706	\$ 76,706	\$ 75,901	\$ (805)	\$ 81,456
<b>EXPENDITURES:</b>					
<b>Principal Payments:</b>					
Note Payable	48,885	48,885	49,279	(394)	38,250
<b>Interest Payments:</b>					
Note Payable	27,821	27,821	24,970	2,851	15,042
<b>Total Expenditures</b>	<b>76,706</b>	<b>76,706</b>	<b>74,249</b>	<b>2,457</b>	<b>53,292</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures			1,652	(3,262)	28,164
Fund Balance, January 1	77,627	77,627	77,627		49,463
Fund Balance, December 31	\$ 77,627	\$ 77,627	\$ 79,279	\$ (3,262)	\$ 77,627

## **SUPPLEMENTAL DATA**

**MAURICE RIVER FIRE DISTRICT NO. 1**  
**COUNTY OF CUMBERLAND**  
**SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

<u>State Funding Department</u>	<u>State Program</u>	<u>GMIS Number</u>	<u>Grant Award</u>	<u>State Share</u>	<u>From</u>	<u>To</u>	<u>Amount of Expenditures</u>
Department of Community Affairs	Supplemental Fire Services Program	8030-100-022 8030-023-F165- 6020	\$ 576	\$ <u>576</u>	1/1/13	12/31/13	\$ <u>576</u>

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH AND INVESTMENTS**

Cash - December 31, 2012		\$	102,311
Receipts:			
District Taxes	\$	129,516	
State Aid		576	
Interest		37	
			<u>130,129</u>
			232,440
Disbursements:			
Budget Expenditures		53,365	
Prior Year Accounts Payable		2,884	
Note Principal		49,279	
Note Interest		24,970	
			<u>130,498</u>
Cash - December 31, 2013		\$	<u><u>101,942</u></u>

Analysis of Balance:

Checking Account	\$	31,895	
Certificate of Deposit		30,037	
			<u>61,932</u>
Add: Deposit in Transit			40,474
Less: Outstanding Checks			(464)
			<u>101,942</u>
		\$	<u><u>101,942</u></u>

See Notes to Financial Statements

**SCHEDULE OF FINDINGS AND**  
**RECOMMENDATIONS**

## GENERAL COMMENTS

We have audited the financial statements of the Maurice River Fire District No. 1 as of and for the year ended December 31, 2013 and have issued our report thereon dated March 14, 2014. As part of our examination, we made a study and evaluation of the system of internal accounting control of the Maurice River Fire District No. 1 to the extent deemed necessary to evaluate the system as required by generally accepted auditing standards.

The purpose of our study and evaluation was to determine the nature, timing and extent of performing the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal control taken as a whole.

The Board of Fire Commissioners of the Maurice River Fire District No. 1 is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the purpose described in the second paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of accounting control of the Maurice River Fire District No. 1 taken as a whole. However, our study and evaluation disclosed no condition that we believe to be a material weakness.

The size of the staff is not large enough to achieve adequate segregation of duties. This can result in accounting errors or irregularities that may go undetected.

Therefore, to increase the likelihood of detecting material errors or irregularities at an early date, management should monitor and review the financial area and analytically review significant fluctuations between actual and budgeted results of operations. All significant fluctuations should be investigated and resolved in a timely manner.

These conditions were considered in determining the nature, timing and extent of audit tests to be applied in our audit of the 2013 financial statements, and this report does not affect our report on the financial statements dated March 14, 2014.

**GENERAL COMMENTS** (Continued)

**CONTRACTS AND AGREEMENTS REQUIRED TO BE ADVERTISED PER N.J.S.A. 40A:11-4**

N.J.S.A. 40A:11-4 requires every appropriate contract or agreement shall be made or awarded only after public advertising for bids, except as provided otherwise by any other law for the sum exceeding the aggregate of \$17,500.

The Board of Fire Commissioners has the responsibility of determining whether the expenditures in any category will exceed the statutory threshold within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made. No bids were required in 2013.

**AWARD OF PURCHASES, CONTRACTS OR AGREEMENTS BY QUOTATIONS**

**N.J.S.A. 40A:11-6.1**

Prior to the award of any purchase, contract or agreement, the District shall (except in the case of the performance of professional services) solicit quotations, whenever practicable, on any purchase, contract or agreement, the estimated cost or price of which is in excess of \$2,625. The award shall be made on the basis of the lowest responsible quotation received, or, the quotation most advantageous to the contracting unit, price and other factors considered. However, if the contracting agent deems it impracticable to solicit competitive quotations in the case of extraordinary, unspecifiable services, or in the case of such or any other purchase, contract or agreement awarded hereunder, having sought such quotations received, the contracting agent shall file a statement of explanation of the reason or reasons therefore, which shall be placed on file with said purchase, contract or agreement. Our examination of expenditures revealed that solicitation of quotations were obtained when required during 2013.

**OTHER GENERAL COMMENTS**

**Purchase Orders/Vouchers**

Our review of the purchasing and disbursing procedure disclosed that purchase orders/vouchers were not always available to be checked for the appropriate signatures for approval and the check numbers were not listed on the vouchers. The selective encumbrance method of expenditures was implemented, but not considered functioning, as required by directive of the Director of the Division of Local Government Services.

**Minutes**

Signed minutes of the meetings of the Commissioners were available, provided various sufficient detail, and were signed and prepared on a timely basis.

## **REPORTABLE CONDITIONS AND OTHER FINDINGS**

### **Finding No. 2013-1 - Budget Transfers**

#### **Condition**

A budget transfer resolution was not approved by the Board during the months of November or December of 2013.

#### **Criteria**

According to N.J.S.A 40A:14-78.9, whenever it shall become necessary during the last two months of the year to expend amounts in excess of those appropriations specified in the various line items of the annual budget and there exists excess appropriations in other line items, the board may pass a resolution to transfer the amount of excess to the appropriations deemed insufficient.

#### **Effect**

Five budget line items were overexpended, as of December 31, 2013.

#### **Cause**

Inadvertent oversight.

#### **Recommendation**

Procedures to monitor budget line items should be reviewed and strengthened, in order to avoid overexpenditures, in accordance with N.J.S.A 40A:14-78.9.

### **Finding No. 2013-2 - 2014 Annual Election and Budget Approval**

#### **Condition**

The 2014 Annual Election and Adopted Budget were not publically advertised at least seven days prior thereto, in accordance with N.J.S.A 40A:14-74 and 78.4.

#### **Criteria**

According to N.J.S.A 40A:14-74, the Board of Fire Commissioners shall submit a notice of the holding of the Annual Election, to be advertised, at least once, in a newspaper circulating in the Fire District.

According to N.J.S.A 40A:14-78.4, the Adopted Budget shall be advertised, at least once, in a newspaper circulating in the Fire District at least seven days prior to the annual election.

#### **Effect**

The Annual Election and approval of the 2014 Annual Budget were not legally conducted.

**Finding No. 2013-2 - 2014 Annual Election (Continued)**

**Cause**

Inadvertent oversight.

**Recommendation**

Procedures should be modified, in order ensure that the Annual Election and approval of the Adopted Budget are conducted in accordance with N.J.S.A 40A:14-74 and 78.4 in the future.

**RECOMMENDATIONS**

1. Procedures to monitor budget line items should be reviewed and strengthened, in order to avoid overexpenditures, in accordance with N.J.S.A 40A:14-78.9.
2. Procedures should be modified, in order ensure that the Annual Election and approval of the Adopted Budget are conducted in accordance with N.J.S.A 40A:14-74 and 78.4 in the future.

**PRIOR YEAR AUDIT FINDINGS**

None

**APPRECIATION**

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

Respectfully submitted,

**NIGHTLINGER, COLAVITA & VOLPA, P.A.**

Raymond Colavita, C.P.A.  
Registered Municipal Accountant