MAURICE RIVER

FIRE DISTRICT NO. 1

COUNTY OF CUMBERLAND

REPORT OF AUDIT

DECEMBER 31, 2012

MAURICE RIVER TOWNSHIP FIRE DISTRICT NO. 1

COUNTY OF CUMBERLAND

TABLE OF CONTENTS

EXHIBIT	PAGE
Roster of Officials	1
FINANCIAL SECTION	
Independent Auditor's Report	2-3
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	4-5
Required Supplementary Information - Part I	
Management's Discussion and Analysis	6-11
Basic Financial Statements	
A. District-wide Financial Statements	
A-1 Statement of Net Assets	12
A-2 Statement of Activities	13
B. Fund Financial Statements	
Governmental Funds:	
B-1 Balance Sheet	14
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	15
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Notes to the Financial Statements	17-27
Required Supplementary Information - Part II	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule - General Fund	28-29
C-2 Budgetary Comparison Schedule - Special Revenue Fund	N/A
Notes to the Required Supplementary Information	
C-3 Budgetary Comparison Schedule - Note to RSI	30

MAURICE RIVER TOWNSHIP FIRE DISTRICT NO. 1

COUNTY OF CUMBERLAND

TABLE OF CONTENTS

EXHIBIT		PAGE
Other Supplementary Information		
F. Capital Projects Fund:		
F-1	Summary Statement of Project Expenditures	31
I. Long-Term Debt:		
I-1(1)	Schedule of Note Payable - New Rescue Truck	32
I-1(2)	Schedule of Note Payable - Improvement to Fire Hall	33
I-2	Schedule of Obligations under Capital Leases	N/A
I-3	Debt Service Fund Budgetary Comparison Schedule	34
J. Supplemental Data;		
J-1	Schedule of State Financial Assistance	35
J-2	Schedule of Receipts, Disbursements, and Change in Cash	36
Comments		37-38
Schedule of Findings and Recommendations		39
Prior Year Audit Findings and Appreciation		39-40

The following officials were in office during 2012:

NAME	TITLE	AMOUNT OF SURETY BOND
Board of Commissioners		
Joseph Sterling	President	
Patricia Gross	Vice-President	
Ed Turner	Treasurer	$40,000
Jeremiah Corson	Secretary	
Wayne Whilden	Commissioner	

FINANCIAL SECTION

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245

April 5, 2013

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

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, 2012, 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 Fire District'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 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 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.

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, 2012, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with **Government Auditing Standards**, we have also issued our report dated April 5, 2013 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.

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.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.

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

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245

April 5, 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, 2012, 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 April 5, 2013. 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.

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. We did not identify any deficiency in internal control over financial reporting that we considered to be a material weakness.

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.

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.

The district's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses.

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, 2012

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, 2012. 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 $357,782 (Net Assets).
- 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 $99,508, representing a decrease of $525,146 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 Assets 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 assets. Over time, increases or decreases in net assets 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 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 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 Assets 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 assets 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 $357,782 at the close of the current year.

The largest portion of the Maurice River Township Fire District No. 1's net assets (77 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 Assets

Table 1 provides a comparative summary of the Fire District's net assets for the years ended in 2012 and 2011.

Table 1
Net Assets

	2012	2011
Assets		
Cash	$ 102,311	$ 137,042
Accounts Receivable		50,000
Restricted Cash - Building Improvement		443,050
Capital Assets, Net	911,842	288,729
Security Deposit	81	
Total Assets	1,014,234	992,903
Liabilities		
Accounts Payable	2,884	5,438
Accrued Interest	5,967	7,348
Bond and Loan Debt due Within one year	48,177	38,250
Non-current Liabilities	599,424	647,601
Total Liabilities	656,452	698,637
Net Assets	$ 357,782	$ 294,266
Analysis of Net Assets		
Invested in Capital Assets, Net of Related Debt	$ 264,241	$ (323,040)
Restricted for:		
Building Improvement		525,918
Other Purposes	22,651	65,579
Unrestricted	70,890	25,809
Total net assets	$ 357,782	$ 294,266

In total, net assets of governmental activities increased by $63,516 from the previous year. The increase is primarily attributed to an excess of operating revenues over expenses for the year.

Total Liabilities decreased by $42,185 from 2011 as a result of decreases in debt service obligations of $38,250, accrued interest of $1,381 and accounts payable of $2,554.

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 2012 and 2011. Key elements of the increase in governmental activities are as follows:

Table 2
Statement of Activities

	2012	2011
Expenses		
Operating Expenses		
Administration	$ 46,470	$ 5,049
Cost of Operations and Maintenance	35,543	42,491
Depreciation Expense	1,887	1,888
Interest on Long-Term Debt	13,661	13,777
Total Program Expenses	97,561	63,205
Program Revenues		
Operating Grants & Contributions	25,577	577
Net Program Expenses	71,984	62,628
General Revenues		
Property Taxes, Levied for General Purpose	47,897	39,599
Taxes Levied for Debt Service	81,456	88,103
Unrestricted Investment Earnings	147	583
Total General Revenues	129,500	128,285
Increase in Net Assets	57,516	65,657
Adjustment to Fixed Assets	6,000	(724,748)
	63,516	(659,091)
Net Assets, January 1	294,266	953,357
Net Assets, December 31	$ 357,782	$ 294,266

Property taxes constituted 83% of revenues for government activities and operating grants and contributions made up 16% for the year 2012. Operations and Maintenance comprised 36% of fire district expenses, with Administration 48%, Interest on Long-Term Debt 14% and Depreciation 2%.

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 $99,508, representing a decrease of $525,146 in comparison with the prior year. The decrease is primarily attributed to the District completing its renovation and expansion of the Leesburg Fire House during 2012.

Of the combined ending fund balances, unrestricted fund balance constituted $79,282, of which $2,425 has been utilized in the 2013 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 $27,392 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 2012, 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 $577 from the Fire Services Program.

The original General Fund budgetary revenue estimate of $73,197 was the same as the final budget. This amount was made up of $47,897 for taxes (local tax levy), a USDA Grant of $25,000 and interest of $300.

The General Fund portion of the local tax levy allocated to debt service was $81,456, of which $38,250 was expended for Note Payment Principal, along with $15,042 in interest expense.

The original budgetary expenditure estimate of $125,197 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 $52,000.

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, 2012.

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, 2012 amounts to $ 1,066,679, less depreciation expense of $154,837. This investment in capital assets includes building improvements, vehicles and firefighting equipment.

CAPITAL ASSETS
(NET OF ACCUMULATED DEPRECIATION COMPUTED)

	2012	2011
Land, Buildings and Improvements	$ 896,736	$ 271,736
Work in Progress		74,082
Vehicles and Equipment	15,106	16,993
Total Capital Assets	$ 911,842	$ 362,811

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, 2012, the Maurice River Township Fire District No. 1 had a balance in bonded debt of $475,000, $172,601 in Notes Payable and no obligations under capital lease agreements.

Economic Factors and Next Years Budget

For the 2012 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 31, 2012 and the voters subsequently approved the budget at the annual fire district election held on February 16, 2013.

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

EXHIBIT A-1

STATEMENT OF NET ASSETS
DECEMBER 31, 2012

		Governmental Activities
ASSETS		
Cash and Cash Equivalents	$	102,311
Security Deposit		81
Land, Buildings, and Improvements		896,736
Equipment, Net		15,106
Total Assets		1,014,234
LIABILITIES		
Accounts Payable		2,884
Accrued Interest on Long Term Debt		5,967
Bond and Loan Debt Due Within One Year		48,177
Non-current Liabilities:		
Loan Due Beyond One Year		599,424
Total Liabilities		656,452
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		264,241
Restricted for:		
Other Purposes		22,651
Unrestricted		70,890
Total Net Assets	$	357,782

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

EXHIBIT A-2

STATEMENT OF ACTIVITIES
DECEMBER 31, 2012

	Governmental Activities
Expenses:	
Operating Appropriations:	
Administration	$ 46,470
Cost of Operations and Maintenance	35,543
Depreciation Expense	1,887
Interest on Long-Term Debt	13,661
Total Program Expenses	97,561
Program Revenues:	
Operating Grants and Contributions	25,577
Net Program Expenses	71,984
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	47,897
Taxes Levied for Debt Service	81,456
Unrestricted Investment Earnings	147
Total General Revenues	129,500
Increase in Net Assets	57,516
Adjustment to Fixed Assets	6,000
	63,516
Net Assets, January 1	294,266
Net Assets, December 31	$ 357,782

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

FUND FINANCIAL STATEMENTS

EXHIBIT B-1

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 24,684	$	$ 77,627	$ 102,311
Security Deposit	81			81
Total Assets	$ 24,765	$	$ 77,627	102,392
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	2,234			2,234
Encumbrance Payable	650			650
Total Liabilities	2,884			2,884
Fund Balances:				
Restricted				
Future Capital Outlay	20,226			20,226
Assigned, Reported In:				
Designated for Future Year's Expenditures	1,655		770	2,425
Unassigned, Reported In:				
General Fund			76,857	76,857
Total Fund Balances	21,881		77,627	99,508
Total Liabilities and Fund Balances	$ 24,765	$	$ 77,627	

Amounts reported for *governmental activities* in the statement of net assets (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 $1,066,679. Depreciation was computed at $154,837. (Note 3)	911,842
Accrued Interest on Long-term Debt	(5,967)
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).	(647,601)
Net assets of governmental activities	$ 357,782

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

EXHIBIT B-2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Operating State Aid and Grant Revenue	$ 25,577	$	$	$ 25,577
Amount to be Raised by Taxation	47,897		81,456	129,353
Non-Budgetary Revenues	147			147
Total Revenues	73,621		81,456	155,077
EXPENDITURES				
Operating Appropriations:				
Administration	46,470			46,470
Cost of Operations and Maintenance	35,543			35,543
Capital Appropriations				
Improvement to Fire Hall		544,918		544,918
Debt Service				
Principal			38,250	38,250
Interest			15,042	15,042
Total Expenditures	82,013	544,918	53,292	680,223
Excess (Deficiency) of Revenues Over Expenditures	(8,392)	(544,918)	28,164	(525,146)
OTHER FINANCING SOURCES (USES)				
Transfers	(19,000)	19,000		
Total Other Financing Sources (Uses)	(19,000)	19,000		
Net Change in Fund Balances	(27,392)	(525,918)	28,164	(525,146)
Fund Balance—Jan 1	49,273	525,918	49,463	624,654
Fund Balance—Dec 31	$ 21,881	$ -	$ 77,627	$ 99,508

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

EXHIBIT B-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, 2012

Total net change in fund balances - governmental funds (from B-2)	$ (525,146)
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	(1,887)
Capital outlays	544,918
Adjustment to Fixed Assets	6,000
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.	38,250
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.	1,381
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	
Change in net assets of governmental activities (A-2)	$ 63,516

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, 2012

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 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.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012
(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, 2012.

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 Assets.

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.

Notes to Financial Statements Continued

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012
(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 matter 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, 2012
(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, 2011
(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 Assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The 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:

Description	Estimated Lives
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, 2012.

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 Assets.

i. **Deferred 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, 2012
(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 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 where properly computed, 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 enabling legislation adopted by the Fire District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

o. **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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. **Revenues-Exchange and Non-Exchange Transactions- (Continued)** 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 if 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.

p. **Accrued Liabilities** - While expenses incurred and paid in full from current financial resources are in general reported a obligations of the various funds, expenses that are not paid with expendable and available financial resources are accrues, such as for compensated absences and other obligation for claims and judgments.

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, 2012, none of the districts bank balance of $75,035 was exposed to custodial credit risk.

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

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance December 31, 2011	Additions	Adjustment	Balance December 31, 2012
Land, Building, & Improve	$ 271,736	$	$ 625,000	$ 896,736
Work in Progress	74,082	544,918	(619,000)	
Equipment	169,943			169,943
Totals at Historical Cost	515,761	544,918	6,000	1,066,679
Less Accum. Depreciation for:				
Land, Build & Improve Equipment	(152,950)	(1,887)		(154,837)
Total Accum. Depreciation	(152,950)	(1,887)		(154,837)
Capital Assets, Net	$ 362,811	$ 543,031	$ 6,000	$ 911,842

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 five years:

Fiscal Year	Assessed Valuations	Total Tax Levy	Property Tax Rates
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
2008	46,947,576	117,460	.251
2007	46,449,799	107,431	.232

* Reflects first year of Revaluation

5. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGET

There were no deferred charges to be raised in 2012.

Notes to Financial Statements Continued

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

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 is $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:

Date	Principal	Interest
4/10/13	40,117	8,425
4/10/14	42,075	6,467
4/10/15	44,129	4,413
4/10/16	46,280	2,260
Total	$ 172,601	$ 21,565

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.

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

8. RENOVATION AND EXPANSION TO FIRE HALL (CONTINUED)

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

Date	Principal	Interest
12/31/13	$ 8,060	$ 20,103
12/31/14	8,406	19,757
12/31/15	8,767	19,396
12/31/16	9,144	19,019
12/31/17	9,537	18,626
12/31/18	9,947	18,217
12/31/19	10,374	17,789
12/31/20	10,819	17,344
12/31/21	11,284	16,879
12/31/22	11,768	16,394
12/31/23	12,274	15,889
12/31/24	12,801	15,362
12/31/25	13,351	14,812
12/31/26	13,924	14,238
12/31/27	14,522	13,640
12/31/28	15,146	13,017
12/31/29	15,797	12,366
12/31/30	16,475	11,688
12/31/31	17,183	10,980
12/31/32	17,921	10,242
12/31/33	18,691	9,472
12/31/34	19,494	8,669
12/31/35	20,331	7,832
12/31/36	21,204	6,959
12/31/37	22,115	6,048
12/31/38	23,065	5,098
12/31/39	24,055	4,108
12/31/40	25,089	3,074
12/31/41	26,166	1,997
12/31/42	27,290	873
Total	$ 475,000	$ 369,888

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

9. FUND BALANCES APPROPRIATED

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

	End of Year		Utilization in Subsequent Budget	
Year	Restricted	Unrestricted	Restricted	Unrestricted
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
2008	76,782			12,802
2007	66,252			12,330

10. 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.

End of Notes to Financial Statements

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

EXHIBIT C-1
(1)

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH TOTALS FOR 2011)

	2012				2011
	Original Budget	Modified Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues					
Revenues and Other Financing Sources:					
Operating Revenue - State Aid					
Supplemental Fire Services Program	$	$	$ 577	$ 577	$ 577
USDA Grant	25,000	25,000	25,000		
Miscellaneous Revenue not Anticipated:					
Interest on Deposits and Investments	300	300	147	(153)	583
Total Miscellaneous Revenue not Anticipated	300	300	147	(153)	583
Total District Tax to Support District Budget	47,897	47,897	47,897		39,599
Total Revenues and Other Financing Sources	$ 73,197	$ 73,197	$ 73,621	$ 424	$ 40,759
Expenditures					
Administrative:					
Professional Services	$ 68,000	$ 68,000	$ 45,852	$ 22,148	$ 4,482
Advertising	400	400	218	182	111
Election	400	400	400		410
Contingent Expenses					46
Total Administration	68,800	68,800	46,470	22,330	5,049
Operating and Maintenance:					
Maintenance and Repairs	20,000	20,000	14,272	5,728	20,902
Utilities and Telephone	11,250	11,250	11,250		10,144
Equipment	15,000	15,000	7,021	7,979	26,862
Supplies	500	500		500	3,028
Clothing Allowance	3,000	3,000	3,000		
Contingent Expenses					437
Total Operating and Maintenance	$ 49,750	$ 49,750	$ 35,543	$ 14,207	$ 61,373

See Notes to Financial Statements

EXHIBIT C-1
(2)

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH TOTALS FOR 2011)

	2012				2011
	Original Budget	Modified Budget	Actual	Variance Favorable (Unfavorable)	Actual
Capital Appropriations:					
Reserve for Future Capital Outlays	$ 6,647	$ 6,647	$	$ 6,647	$
Total Capital Appropriations	6,647	6,647	-	6,647	
Total Expenditures	125,197	125,197	82,013	43,184	66,422
Excess (Deficit) of Revenue Over Expenditures	(52,000)	(52,000)	(8,392)	43,608	(25,663)
Transfer to Capital Projects Fund			(19,000)	19,000	
Fund Balance - Beginning of Year	49,273	49,273	49,273		74,936
Fund Balance - End of Year	$ (2,727)	$ (2,727)	$ 21,881	$ 62,608	$ 49,273

See Notes to Financial Statements

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT C-3

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

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

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	$ 73,621	$
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.	$ 73,621	$
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	$ 82,013	$
Encumbrances for supplies and equipment ordered but not received are 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	$ 82,013	$

See Notes to Financial Statements

OTHER SUPPLEMENTARY INFORMATION

CAPITAL PROJECTS FUND

EXHIBIT F-1

CAPITAL FUND

SCHEDULE OF IMPROVEMENT AUTHORIZATION

FOR THE YEAR ENDED DECEMBER 31, 2012

Purpose	Date	Appropriations	Expenditures to Date		Balance December 31, 2012
			Prior Years	Current Year	
Building Improvement	11/3/2009	$ 625,000	$ 80,082	$ 544,918	$

Summary:

Bond Issue	$ 475,000
Grant Proceeds	75,000
Reserve for Future Capital Outlay	39,229
Unrestricted Fund Balance	35,771
	$ 625,000

See Notes to Financial Statements

LONG-TERM DEBT

EXHIBIT I-1 (1)

SCHEDULE OF NOTE PAYABLE - NEW RESCUE FIRE TRUCK

Date of Original Note	Original Amount	Interest Rate	Maturity as of December 31, 2012 Dates	Amounts	Balance December 31, 2011	Debt Issued	Redeemed	Balance December 31, 2012
9/10/05	$377,000	4.80%			$ 38,250	$	$ 38,250	$
			2013	$ 40,117	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
					$ 210,851	$	$ 38,250	$ 172,601

See Notes to Financial Statements

EXHIBIT I-1(2)

SCHEDULE OF NOTE PAYABLE - IMPROVEMENT TO FIRE HALL

Date of Original Note	Original Amount	Maturity as of December 31, 2012 Dates	Amounts	Interest Rate	Balance December 31, 2011	Debt Issued	Redeemed	Balance December 31, 2012
8/1/09	$475,000	2013	$ 8,060	4.25%	$ 8,060	$	$	$ 8,060
		2014	8,406		8,406			8,406
		2015	8,767		8,767			8,767
		2016	9,144		9,144			9,144
		2017	9,537		9,537			9,537
		2018	9,947		9,947			9,947
		2019	10,374		10,374			10,374
		2020	10,819		10,819			10,819
		2021	11,284		11,284			11,284
		2022	11,768		11,768			11,768
		2023	12,274		12,274			12,274
		2024	12,801		12,801			12,801
		2025	13,351		13,351			13,351
		2026	13,924		13,924			13,924
		2027	14,522		14,522			14,522
		2028	15,146		15,146			15,146
		2029	15,797		15,797			15,797
		2030	16,475		16,475			16,475
		2031	17,183		17,183			17,183
		2032	17,921		17,921			17,921
		2033	18,691		18,691			18,691
		2034	19,494		19,494			19,494
		2035	20,331		20,331			20,331
		2036	21,204		21,204			21,204
		2037	22,115		22,115			22,115
		2038	23,065		23,065			23,065
		2039	24,055		24,055			24,055
		2040	25,089		25,089			25,089
		2041	26,166		26,166			26,166
		2042	27,290		27,290			27,290
					$ 475,000	$	$	$ 475,000

See Notes to Financial Statements

EXHIBIT I-3

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012				2011
	Original Budget	Modified Budget	Actual	Variance Positive (Negative) Final to Actual	Actual
REVENUES:					
Amount to be Raised by Taxation to Support the District Budget	$ 81,456	$ 81,456	$ 81,456	$	$ 88,103
EXPENDITURES:					
Principal Payments:					
Note Payable	46,657	46,657	38,250	8,407	36,470
Interest Payments:					
Note Payable	34,799	34,799	15,042	19,757	12,071
Total Expenditures	81,456	81,456	53,292	28,164	48,541
Excess (Deficiency) of Revenues Over (Under) Expenditures			28,164	(28,164)	39,562
Fund Balance, January 1	49,463	49,463	49,463		9,901
Fund Balance, December 31	$ 49,463	$ 49,463	$ 77,627	$ (28,164)	$ 49,463

SUPPLEMENTAL DATA

EXHIBIT J-1

MAURICE RIVER FIRE DISTRICT NO. 1
COUNTY OF CUMBERLAND
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2012

State Funding Department	State Program	GMIS Number	Grant Award	State Share	From	To	Amount of Expenditures
Department of Community Affairs	Supplemental Fire Services Program	8030-100-022 8030-023-F165-6020	$ 577	$ 577	1/1/12	12/31/12	$ 577

EXHIBIT J-2

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH AND INVESTMENTS

Cash - December 31, 2011		$	580,092
Receipts:			
District Taxes	$ 129,353		
State Aid	25,577		
Interest	147		
USDA Grant	25,000		
			180,077
			760,169
Disbursements:			
Budget Expenditures	599,128		
Prior Year Accounts Payable	4,413		
Prior Year Encumbrance Payable	1,025		
Note Principal	38,250		
Note Interest	15,042		
			657,858
Cash - December 31, 2012		$	102,311

Analysis of Balance:			
Checking Account	$ 74,557		
Certificate of Deposit - SIC	478		
		$	75,035
Add: Deposit in Transit			40,423
Less: Outstanding Checks			(13,147)
		$	102,311

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, 2012 and have issued our report thereon dated April 5, 2013. 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 2012 financial statements, and this report does not affect our report on the financial statements dated April 5, 2013.

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 2012.

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 was not required during 2012.

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

RECOMMENDATIONS

None

PRIOR YEAR AUDIT FINDINGS

Finding No. 1 – Expenditures

Condition

While an emergency resolution was available for emergency maintenance work performed on the Fire District generator in the amount of $4,025, the required purchase order, along with a supporting invoice, were not available for inspection.

Current Status
This has been resolved.

Finding No. 2 – Budget Overexpenditures

Condition

Actual expenditures in five line items and total expenditures exceeded the amounts approved in the 2011 Adopted Budget.

Current Status
This has been resolved.

The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments and recommendations, or should you desire assistance in implementing our recommendation, please do not hesitate to call us.

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