

SYNOPSIS OF AUDIT FOR PUBLICATION

Synopsis of audit report of the Maurice River Township Fire District  
No. 3 for the year ended December 31, 2012 as required by N.J.S. 40A:5A-16.

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 95,184	\$ 2,591	\$ 713	\$ 98,488
Total Assets	<u>\$ 95,184</u>	<u>\$ 2,591</u>	<u>\$ 713</u>	<u>\$ 98,488</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 8,475	\$	\$	\$ 8,475
Reserve for LOSAP	9,600			9,600
Total Liabilities	<u>18,075</u>			<u>18,075</u>
Fund Balances:				
Restricted for:				
Future Capital Outlay	25,813	2,591		28,404
Assigned Fund Balance				
Designated for Subsequent Year's Expenditures	9,960			9,960
Unassigned, Reported in:				
General Fund	41,336		713	42,049
Total Fund Balances	<u>77,109</u>	<u>2,591</u>	<u>713</u>	<u>80,413</u>
Total Liabilities and Fund Balances	<u>\$ 95,184</u>	<u>\$ 2,591</u>	<u>\$ 713</u>	

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 \$90,072. Depreciation was computed at \$36,028. (Note 3)

54,044

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).

Net assets of governmental activities

\$ 134,457

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Operating Grant Revenue	\$ 577	\$	\$	\$ 577
Amount to be Raised by Taxation	61,572			61,572
Non-Budgetary Revenues - Interest Earned	52			52
<b>Total Revenues</b>	<b>62,201</b>			<b>62,201</b>
<b>EXPENDITURES</b>				
Operating Appropriations:				
Administration	5,308			5,308
Cost of Operations and Maintenance	32,394			32,394
<b>Total Expenditures</b>	<b>37,702</b>			<b>37,702</b>
Excess (Deficiency) of Revenues Over Expenditures	24,499			24,499
<b>OTHER FINANCING SOURCES (USES)</b>				
Total Other Financing Sources and Uses				
<b>Net Change in Fund Balances</b>	<b>24,499</b>			<b>24,499</b>
Fund Balance—Jan 1	52,610	2,591	713	55,914
<b>Fund Balance—Dec 31</b>	<b>\$ 77,109</b>	<b>\$ 2,591</b>	<b>\$ 713</b>	<b>\$ 80,413</b>

## RECOMMENDATIONS

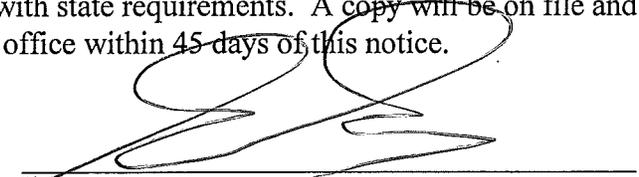
It is recommended that:

- \*1. An analysis of Fixed Assets should be made in order to compute and record Depreciation Expense in accordance with Government Accounting Standards Board (GASB-34) reporting requirements.
  - \*2. Cancelled checks or copies of the front and reverse side of cancelled checks, as well as Bank Statements should be available for audit, as required.
  3. The selective encumbrance method of recording expenditures should be maintained, in order to provide adequate budgetary controls and avoid over expenditure of appropriations.
  4. Bank reconciliations should be prepared on a monthly basis
  - \*5. Receipts should be deposited within 48 hours, as required by New Jersey statute.
- \* Appears in prior year audit.

The above synopsis was prepared from the report of the audit of the Maurice River Fire District No. 3, County of Cumberland, for the year ended December 31, 2012.

This report of audit, submitted by RAYMOND COLAVITA, C.P.A., R.M.A. of Nightlinger, Colavita & Volpa, a Professional Association of Registered Municipal Accountants and Certified Public Accountants, is on file with Glenn Ewan, Chairman of the Fire District, and may be inspected by any interested person.

A Corrective Action Plan, which outlines actions the District will take to correct the findings listed above, will be prepared in accordance with state requirements. A copy will be on file and available for public inspection in the District office within 45 days of this notice.



---

Glenn Ewan / Chairman

MAURICE RIVER TOWNSHIP  
BOARD OF FIRE COMMISSIONERS, DST #3

RESOLUTION # 2013-14:08

WHEREAS, N.J.S.A. 40A:5A-15 requires the governing body of each local authority to cause an annual audit of its accounts to be made, and

WHEREAS, the annual audit report for the fiscal year ended December 31, 2012, has been completed and filed with the Maurice River Fire District No. 3, pursuant to N.J.S.A. 40A:5A-15, and

WHEREAS, N.J.S.A. 40A:5A-17 requires the governing body of each authority to, within 45 days of receipt of the annual audit, certify by resolution to the Local Finance Board that each member thereof has personally reviewed the annual audit report, and specifically the sections of the audit report entitled "General Comments and Recommendations", and has evidenced same by group affidavit in the form prescribed by the Local Finance Board, and

WHEREAS, the members of the governing body have received the annual audit and have personally reviewed the annual audit, and have specifically reviewed the sections of the annual audit report entitled "General Comments and Recommendations" in accordance with N.J.S.A. 40A:5A-17,

NOW, THEREFORE BE IT RESOLVED, that the governing body of the Maurice River Fire District No. 3 hereby certified to the Local Finance Board of the State of New Jersey that each governing body member has personally reviewed the annual audit report for the fiscal year ending December 31, 2012, and specifically has reviewed the sections of the audit report entitled "General Comments and Recommendations" and has evidenced same by group affidavit in the form prescribed by the Local Finance Board.

BE IT FURTHER RESOLVED that the secretary of the fire district is hereby directed to promptly submit to the Local Finance Board the aforesaid group affidavit, accompanied by a certified true copy of this resolution.

IT IS HEREBY CERTIFIED THAT THIS IS A TRUE COPY OF THE RESOLUTION PASSED AT THE MEETING HELD ON JUNE 4, 2013.

  
\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Date

CERTIFICATION

I, Linda L. Costello, Recording Secretary of the Maurice River Township Fire Commission District #3, in the Township of Maurice River, State of New Jersey, located in the County of Cumberland, do hereby certify that the foregoing Resolution #2013-14:08 is a true and accurate copy of a resolution adopted by the Commissioners of Maurice River Township Fire District #3 at a regular meeting held in the Port Elizabeth Fire Hall on June 4, 2013 at 7:00 P.M.

SIGNED: \_\_\_\_\_

Linda L. Costello, Recording Sec.

**MAURICE RIVER TOWNSHIP FIRE DISTRICT NO. 3**

**CORRECTIVE ACTION PLAN**

**2012 AUDIT**

**Finding No.1 - Fixed Asset Accounting System**

**Recommendation**

An analysis of Fixed Assets should be made in order to compute and record Depreciation Expense in accordance with Government Accounting Standards Board (GASB-34) reporting requirements.

**Criteria**

N.J.A.C. 5:30-5.6 states that all government agencies should implement and maintain a fixed asset accounting and reporting system.

**Effect**

The District does not appear to have an accurate listing of all land, property and equipment owned.

**Corrective Action**

A complete inventory of fixed assets will be taken and an analysis of the estimated historical cost and useful life will be prepared from this analysis in order to support the necessary depreciation calculations. This inventory and analysis should be completed in 2013.

**Response of Official**

The Board of Fire Commissioners agrees with the Corrective Action.

**Date of Implementation**

Immediately

**Finding No. 2 – Cancelled Checks and Bank Statements**

**Recommendation**

Cancelled checks or copies of the front and reverse sides of cancelled checks should be available for audit, as well as Bank Statements.

**Finding No. 2 – Cancelled Checks and Bank Statements (Continued)**

**Criteria**

Both front and reverse sides of cancelled checks need to be available for various audit steps.

**Effect**

Verification of appropriate check signers, vendor endorsements and other receipts and disbursement activity was not possible.

**Corrective Action**

Cancelled checks will be kept on file by the district or copies of both sides of each check be made available upon request, in the future. In addition Bank Statements will be available for audit in all cases.

**Response of Official**

The Board of Fire Commissioners agrees with the Corrective Action.

**Date of Implementation**

Immediately

**Finding No. 3 – Budget Over Expenditure**

**Recommendation**

The selective encumbrance method of recording expenditures should be maintained, in order to provide adequate budgetary controls and avoid over expenditure of appropriations.

**Criteria**

A Technical Directive of the Division of Local Government Services requires that a functioning encumbrance expenditure accounting system be maintained, which does not permit commitments or expenditures in excess of the available appropriation.

**Effect**

The budget line item was over expended indicating that internal control over expenditures needs to be strengthened.

**Finding No. 3 – Budget Over Expenditure (Continued)**

**Corrective Action**

A comprehensive review of procedures covering Fire District expenditures will be made, to assure compliance with N.J.S.A. 40-A-11, with greater emphasis on monitoring the status of the budget on a monthly basis.

**Response of Official**

The Board of Fire Commissioners agrees with the Corrective Action.

**Date of Implementation**

Immediately

**Finding No. 4 – Bank Reconciliations**

**Recommendation**

Bank reconciliations should be prepared on a monthly basis.

**Criteria**

Bank reconciliations should be prepared monthly in order to support the cash amount reflected in the general ledger and financial statements.

**Effect**

Adjustments were required in order to reflect the actual cash balance as of December 31, 2012.

**Corrective Action**

Bank reconciliations will be prepared on a monthly basis in the future.

**Response of Official**

The Board of Fire Commissioners agrees with the Corrective Action.

**Date of Implementation**

Immediately

**Finding No 5 – Deposits**

**Recommendation**

Receipts should be deposited within 48 hours, as required by statute.

**Condition and Criteria**

Deposits of cash receipts were not made in a timely manner, which is by statute within 48 hours.

**Effect**

District funds were not always available for working capital and investment purposes.

**Corrective Action**

Greater effort will be expended to assure that deposits of cash receipts are made within 48 hours as required by statute.

**Response of Official**

The Board of Fire Commissioners agrees with the Corrective Action.

**Date of Implementation**

Immediately



Chairman

---

June 4, 2012

**MAURICE RIVER**  
**FIRE DISTRICT NO. 3**  
**COUNTY OF CUMBERLAND**  
**REPORT OF AUDIT**  
**DECEMBER 31, 2012**

**SYNOPSIS OF AUDIT FOR PUBLICATION**

Synopsis of audit report of the Maurice River Township Fire District  
No. 3 for the year ended December 31, 2012 as required by N.J.S. 40A:5A-16.

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2012**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 95,184	\$ 2,591	\$ 713	\$ 98,488
Total Assets	<u>\$ 95,184</u>	<u>\$ 2,591</u>	<u>\$ 713</u>	<u>\$ 98,488</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 8,475		\$	\$ 8,475
Reserve for LOSAP	9,600			9,600
Total Liabilities	<u>18,075</u>			<u>18,075</u>
Fund Balances:				
Restricted for:				
Future Capital Outlay	25,813	2,591		28,404
Assigned Fund Balance				
Designated for Subsequent Year's Expenditures	9,960			9,960
Unassigned, Reported in:				
General Fund	41,336		713	42,049
Total Fund Balances	<u>77,109</u>	<u>2,591</u>	<u>713</u>	<u>80,413</u>
Total Liabilities and Fund Balances	<u>\$ 95,184</u>	<u>\$ 2,591</u>	<u>\$ 713</u>	

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 \$90,072. Depreciation was computed at \$36,028. (Note 3)

54,044

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).

Net assets of governmental activities

\$ 134,457

## RECOMMENDATIONS

It is recommended that:

- \*1. An analysis of Fixed Assets should be made in order to compute and record Depreciation Expense in accordance with Government Accounting Standards Board (GASB-34) reporting requirements.
- \*2. Cancelled checks or copies of the front and reverse side of cancelled checks, as well as Bank Statements should be available for audit, as required.
3. The selective encumbrance method of recording expenditures should be maintained, in order to provide adequate budgetary controls and avoid over expenditure of appropriations.
4. Bank reconciliations should be prepared on a monthly basis
- \*5. Receipts should be deposited within 48 hours, as required by New Jersey statute.

\* Appears in prior year audit.

The above synopsis was prepared from the report of the audit of the Maurice River Fire District No. 3, County of Cumberland, for the year ended December 31, 2012.

This report of audit, submitted by RAYMOND COLAVITA, C.P.A., R.M.A. of Nightlinger, Colavita & Volpa, a Professional Association of Registered Municipal Accountants and Certified Public Accountants, is on file with Glenn Ewan, Chairman of the Fire District, and may be inspected by any interested person.

A Corrective Action Plan, which outlines actions the District will take to correct the findings listed above, will be prepared in accordance with state requirements. A copy will be on file and available for public inspection in the District office within 45 days of this notice.

---

Glenn Ewan / Chairman

**LOCAL AUTHORITIES GROUP AFFIDAVIT FORM**

**PRESCRIBED BY THE NEW JERSEY LOCAL FINANCE BOARD**

**AUDIT REVIEW CERTIFICATE**

We, the members of the governing body of the Maurice River Fire District No. 3, being of full age and being duly sworn according to law, upon our other depose and say:

1. We are duly elected members of the Maurice River Fire District No. 3.
2. We certify, pursuant to N.J.S.A. 40A:5A-17, that we have each reviewed the Annual Audit Report for the fiscal year ending December 31, 2012 and specifically the sections of the audit report entitled "General Comments and Recommendations".

(Signature)

GLENN EWAN

\_\_\_\_\_

JOHN LAFFERTY

\_\_\_\_\_

KEITH A. KELLEY

\_\_\_\_\_

FRANK VANAMAN

\_\_\_\_\_

JACK LAFFERTY, JR.

\_\_\_\_\_

Sworn to and subscribed before me

this 4th day of June, 2013.

\_\_\_\_\_  
Notary Public of New Jersey

**IMPORTANT: Signatures must be original. Photocopies are not accepted.**

**Finding No. 2 – Cancelled Checks and Bank Statements (Continued)**

**Criteria**

Both front and reverse sides of cancelled checks need to be available for various audit steps.

**Effect**

Verification of appropriate check signers, vendor endorsements and other receipts and disbursement activity was not possible.

**Corrective Action**

Cancelled checks will be kept on file by the district or copies of both sides of each check be made available upon request, in the future. In addition Bank Statements will be available for audit in all cases.

**Response of Official**

The Board of Fire Commissioners agrees with the Corrective Action.

**Date of Implementation**

Immediately

**Finding No. 3 – Budget Over Expenditure**

**Recommendation**

The selective encumbrance method of recording expenditures should be maintained, in order to provide adequate budgetary controls and avoid over expenditure of appropriations.

**Criteria**

A Technical Directive of the Division of Local Government Services requires that a functioning encumbrance expenditure accounting system be maintained, which does not permit commitments or expenditures in excess of the available appropriation.

**Effect**

The budget line item was over expended indicating that internal control over expenditures needs to be strengthened.

**Finding No 5 – Deposits**

**Recommendation**

Receipts should be deposited within 48 hours, as required by statute.

**Condition and Criteria**

Deposits of cash receipts were not made in a timely manner, which is by statute within 48 hours.

**Effect**

District funds were not always available for working capital and investment purposes.

**Corrective Action**

Greater effort will be expended to assure that deposits of cash receipts are made within 48 hours as required by statute.

**Response of Official**

The Board of Fire Commissioners agrees with the Corrective Action.

**Date of Implementation**

Immediately

---

Chairman

---

June 4, 2012

**MAURICE RIVER TOWNSHIP FIRE DISTRICT NO. 3**

**COUNTY OF CUMBERLAND**

**TABLE OF CONTENTS**

<b><u>EXHIBIT</u></b>	<b><u>PAGE</u></b>
Roster of Officials	1
<b>FINANCIAL SECTION</b>	
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
<b>Required Supplementary Information - Part I</b> Management's Discussion and Analysis	6-12
<b>Basic Financial Statements</b>	
A. District-wide Financial Statements	
A-1 Statement of Net Assets	13
A-2 Statement of Activities	14
B. Fund Financial Statements	
Governmental Funds:	
B-1 Balance Sheet	15
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	16
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
<b>Notes to the Financial Statements</b>	18-26
<b>Required Supplementary Information - Part II</b>	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule - General Fund	27-28
C-2 Budgetary Comparison Schedule - Special Revenue Fund	N/A

**MAURICE RIVER TOWNSHIP FIRE DISTRICT NO. 3**

**COUNTY OF CUMBERLAND**

**TABLE OF CONTENTS**

<b><u>EXHIBIT</u></b>	<b><u>PAGE</u></b>
<b>Notes to the Required Supplementary Information</b>	
C-3 Budgetary Comparison Schedule - Note to RSI	29
<b>Other Supplementary Information</b>	
F. Capital Projects Fund:	
F-1 Summary Statement of Project Expenditures	N/A
I. Long-Term Debt:	
I-1 Schedule of Bond Anticipation Note	N/A
I-2 Schedule of Obligations under Capital Leases	N/A
I-3 Debt Service Fund Budgetary Comparison Schedule	30
J. Supplemental Data:	
J-1 Schedule of State Financial Assistance	31
J-2 Schedule of Receipts, Disbursements, and Change in Cash	32
<b>Schedule of Findings and Recommendations</b>	<b>33-38</b>

The following officials were in office during 2012:

<u>NAME</u>	<u>TITLE</u>
<u>Board of Commissioners</u>	
Glenn Ewan	President
Keith Kelley	Secretary
Frank Vanaman	Treasurer
John Lafferty, Jr.	Commissioner
Jack Lafferty	Commissioner

A blanket surety bond was in force with Selective Insurance Company of America in the amount of \$100,000.

**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 22, 2013

## INDEPENDENT AUDITOR'S REPORT

Chairman and Members of the  
Maurice River Fire District No. 3  
County of Cumberland  
P.O. Box 31  
Port Elizabeth, New Jersey 08348

We have audited the accompanying financial statements of the governmental activities and each major fund of the Maurice River Fire District No. 3 ("the Fire District"), County of Cumberland, State of New Jersey as of and for the year ended December 31, 2012, which collectively comprise the 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 an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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.

As reported in Finding No. 1, the District does not fully maintain a Fixed Asset Accounting System, which provides current and accumulated depreciation expense information.

In our opinion, except for the effects of recording current and accumulated depreciation expense, the basic 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. 3, 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.

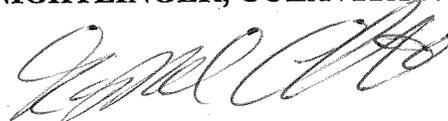
In accordance with Government Auditing Standards, we have also issued our report dated April 22, 2013 on our consideration of the Fire District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other 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 27 through 29 and page 30 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 22, 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. 3  
County of Cumberland  
P.O. Box 31  
Millville, New Jersey 08348

We have audited the financial statements of the governmental activities and each major fund of the Maurice River Township Fire District No. 3 (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. 3, County of Cumberland, State of New Jersey's basic financial statements and have issued our report thereon dated April 22, 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 purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 three 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.

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. 3**  
**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. 3, we offer readers of the Maurice River Township Fire District No. 3 financial statements this narrative overview and analysis of the financial activities of the Fire District 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.

Financial Highlights

- The assets of Maurice River Township Fire District No. 3 exceeded its liabilities at the close of the most recent year by \$134,457 (Net Assets).
- As of the close of the current year, the Maurice River Township Fire District No. 3's governmental funds reported combined ending fund balances of \$80,413, an increase of \$24,499 in comparison with the prior year.
- The Fire District had no debt as of December 31, 2012.

**Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Maurice Township Fire District No. 3's basic financial statements. The Fire District'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. 3'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. 3's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Maurice River Township Fire District No. 3 is improving or deteriorating.

The Statement of Activities presents information showing how the Maurice River Township Fire District No. 3's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for 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. 3 that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Fire District include fire-fighting/suppression services that are provided to the citizens of the Maurice River Township Fire District No. 3.

**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. 3, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Fire District constitute one fund type, which is the governmental fund type.

**Governmental Funds.** All of the Maurice River Township Fire District No. 3's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called 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. 3'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. 3 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 differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Also, Maurice River Township Fire District No. 3 adopts an annual budget in accordance with N.J.S.A. 40A:14:78-3. Budgetary comparison schedules have been provided to demonstrate compliance 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. 3, assets exceeded liabilities by \$134,457 at the close of the current year.

The largest portion of the Maurice River Township Fire District No. 3's net assets (70 percent) reflects its investment in capital assets (i.e. buildings and equipment). The Fire District uses these assets to provide fire-fighting/suppression services to the citizens of the Maurice River Township Fire District No. 3; consequently these assets are not available for future spending.

Although the Maurice River Township Fire District No. 3's investment in its 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**

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash	\$ 98,488	\$ 73,774
Capital Assets	54,044	72,058
<b>Total Assets</b>	<u>152,532</u>	<u>145,832</u>
<b>Liabilities</b>		
Accounts Payable	8,475	8,260
Reserve for LOSAP	9,600	9,600
<b>Total Liabilities</b>	<u>18,075</u>	<u>17,860</u>
<b>Net Assets</b>	<u>\$ 134,457</u>	<u>\$ 127,972</u>
<b>Analysis of Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	\$ 54,044	\$ 72,058
Restricted for		
Future Capital Outlay	28,404	15,867
Other Purposes	9,960	10,000
Unrestricted	42,049	30,047
<b>Total Net Assets</b>	<u>\$ 134,457</u>	<u>\$ 127,972</u>

An additional portion of the Maurice River Township Fire District No. 3's net assets (5 percent) represents resources that are subject to external restrictions on how they may be used.

The total Assets of Governmental Activities increased by \$6,485 from the previous year.

Total Liabilities increased by \$215 as a result of increased Accounts Payable identified during the year under audit.

**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 for the year's 2012 and 2011.

**Table 2**  
**Statement of Activities**

	<u>2012</u>	<u>2011</u>
Expenses		
Operating Expenses		
Administration	\$ 5,308	\$ 5,194
Cost of Operations and Maintenance	32,394	38,633
Depreciation Expense	18,014	18,014
Total Program Expenses	<u>55,716</u>	<u>61,841</u>
Program Revenues		
Operating Grants & Contributions	577	577
Net Program Expenses	<u>55,139</u>	<u>61,264</u>
Taxes:		
Property Taxes, Levied for General Purpose	61,572	61,318
Taxes Levied for Debt Service		
Unrestricted Investment Earnings	52	54
Miscellaneous Income		75
Total General Revenues	<u>61,624</u>	<u>61,447</u>
Increase in Net Assets	6,485	183
Prior Year Fixed Asset Adjustment		(200,000)
Net Assets, January 1	<u>127,972</u>	<u>327,789</u>
Net Assets, December 31	<u>\$ 134,457</u>	<u>\$ 127,972</u>

Property taxes constituted 99% of revenues for government activities for the Fire District for the year 2012.

Fire District Expenses are comprised of 58% Operations and Maintenance costs, 10% Administrative costs and the remaining 32% representing Depreciation Expense for 2012.

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

As stated earlier, the Maurice River Township Fire District No. 3 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. 3's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Maurice River Township Fire District No. 3's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year 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. 3's governmental funds reported combined ending fund balances of \$80,413, an increase of \$24,449 in comparison with the prior year.

Of the combined ending fund balances of \$80,413, unrestricted fund balance constituted \$42,049, of which, \$9,960 has been utilized to fund the District's 2013 Budget. The remaining \$28,404 of Fund Balance is restricted and entirely committed to future capital outlays. Use of these funds are subject to approval of the voters of the Maurice River Township Fire District No. 3. The general fund is the main operating fund of the Maurice River Township Fire District No. 3.

The fund balance of Maurice River Township Fire District No. 3's general fund did increase by \$24,449 during the current year. Key factors are as follows:

- The Maurice River Township Fire District No. 3 actual revenues were \$53 higher than anticipated.
- Actual expenditures were \$34,434 less than anticipated. The more significant under spent line items are as follows:

Maintenance and Repairs by \$8,267

Supplies by \$9,785

Testing and Inspections by \$2,400

- The Maurice River Township Fire District No. 3 received non-anticipated revenue in the 2012 budget category of Interest on Deposits and Investments of \$52.

Revenues increased \$177 from the year before, due to a combined increase in Operating Grant Revenue and Taxation of \$255, offset by a decrease in Miscellaneous Revenues of \$75. Operating expenses decreased \$6,279 over the same time period representing a 53% decrease from the previous year.

## **Capital Projects Fund**

The capital projects fund has a balance of \$2,591, consisting of \$91 remaining from a VESO loan and \$2,500 donated by the Port Elizabeth Fire Company.

### General Fund Budgetary Highlights

During the course of the 2012 year the Maurice River Township Fire District No. 3 did not modify its general fund budget.

No grants or aid were awarded during the year other than \$577 from the Supplemental Fire Services Program.

The original budgetary revenue estimate of \$62,148 was the same as the final budget. This amount was made up of \$61,572 for property taxes (local tax levy), and \$577 for state aid revenues (supplemental fire services grant).

The original budgetary estimate of \$72,148 was the same as the final budget for planned expenditure appropriations.

The final budgetary basis expenditures appropriation estimate exceeded the final budgetary basis revenue in the amount of \$10,000. This amount represents the amount of Fund Balance required to support the 2012 Budget.

### Capital Assets and Debt Administration

The Maurice River Township Fire District No. 3's investment in capital assets for its governmental activities as of December 31, 2012 amounts to \$54,044. This investment in capital assets includes building improvements, vehicles and firefighting equipment.

Depreciation Expense of \$18,014 was calculated for 2012.

#### CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION COMPUTED)

	2012	2011
Vehicle	\$ 21,993	\$ 29,324
Firefighting Equipment	32,051	42,734
	<u>\$ 54,044</u>	<u>\$ 72,058</u>

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

### Long-Term Obligations

For the 2012 year, the Maurice River Township Fire District No. 3 had no bonded debt. As of December 31, 2012 the Maurice River Township Fire District No. 3 had no obligations under capital lease agreements.

### **Economic Factors and Next Years Budget**

For the 2012 year the Maurice River Township Fire District No. 3 was able to sustain its budget through the district tax levy and other sources of revenue. Approximately 99% of total revenue is from the local tax levy, while the remaining 1% is from other sources.

The Board of Fire Commissioners adopted the 2013 budget January 8, 2013 and the voters subsequently approved the budget at the annual fire district election held on February 16, 2013.

### **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 Ms. Linda Costello, Secretary Maurice River Fire District No. 3, PO Box 383, Port Elizabeth, NJ 08348.

## **BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS**

**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2012**

	<b><u>Governmental Activities</u></b>
<b>ASSETS</b>	
Cash and Cash Equivalents (Note 2)	\$ 98,488
Capital Assets, Net (Note 3)	54,044
Total Assets	<u>152,532</u>
<b>LIABILITIES</b>	
Accounts Payable	8,475
Reserve for LOSAP	9,600
Total Liabilities	<u>18,075</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	54,044
Restricted:	
Future Capital Outlay	28,404
Other Purposes	9,960
Unrestricted	42,049
Total Net Assets	<u>\$ 134,457</u>

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

**STATEMENT OF ACTIVITIES**  
**DECEMBER 31, 2012**

	<b><u>Governmental Activities</u></b>
Expenses:	
Operating Appropriations:	
Administration	\$ 5,308
Cost of Operations and Maintenance	32,394
Depreciation Expense (Note 3)	18,014
	<hr/>
Total Program Expenses	55,716
	<hr/>
Program Revenues:	
Operating Grants and Contributions	577
	<hr/>
Net Program Expenses	55,139
	<hr/>
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	61,572
Unrestricted Investment Earnings	52
	<hr/>
Total General Revenues	61,624
	<hr/>
Increase in Net Assets	6,485
Net Assets, January 1	127,972
	<hr/>
Net Assets, December 31	\$ 134,457
	<hr/> <hr/>

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

**FUND FINANCIAL STATEMENTS**

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2012**

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 95,184	\$ 2,591	\$ 713	\$ 98,488
<b>Total Assets</b>	<b>\$ 95,184</b>	<b>\$ 2,591</b>	<b>\$ 713</b>	<b>\$ 98,488</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 8,475			\$ 8,475
Reserve for LOSAP	9,600			9,600
<b>Total Liabilities</b>	<b>18,075</b>			<b>18,075</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Future Capital Outlay	25,813	2,591		28,404
Assigned Fund Balance				
Designated for Subsequent Year's Expenditures	9,960			9,960
Unassigned, Reported in:				
General Fund	41,336		713	42,049
<b>Total Fund Balances</b>	<b>77,109</b>	<b>2,591</b>	<b>713</b>	<b>80,413</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 95,184</b>	<b>\$ 2,591</b>	<b>\$ 713</b>	

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 \$90,072. Depreciation was computed at \$36,028. (Note 3)

54,044

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).

Net assets of governmental activities

\$ 134,457

**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, 2012**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Operating Grant Revenue	\$ 577	\$	\$	\$ 577
Amount to be Raised by Taxation	61,572			61,572
Non-Budgetary Revenues - Interest Earned	52			52
<b>Total Revenues</b>	<b>62,201</b>			<b>62,201</b>
<b>EXPENDITURES</b>				
Operating Appropriations:				
Administration	5,308			5,308
Cost of Operations and Maintenance	32,394			32,394
<b>Total Expenditures</b>	<b>37,702</b>			<b>37,702</b>
Excess (Deficiency) of Revenues Over Expenditures	24,499			24,499
<b>OTHER FINANCING SOURCES (USES)</b>				
Total Other Financing Sources and Uses				
<b>Net Change in Fund Balances</b>	<b>24,499</b>			<b>24,499</b>
Fund Balance—Jan 1	52,610	2,591	713	55,914
<b>Fund Balance—Dec 31</b>	<b>\$ 77,109</b>	<b>\$ 2,591</b>	<b>\$ 713</b>	<b>\$ 80,413</b>

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, 2012**

**Total net change in fund balances - governmental funds (from B-2)** **\$ 24,499**

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	(18,014)
Capital outlays	

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.

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.

Proceeds of long-term debt	
Capital lease proceeds	

<b>Change in net assets of governmental activities (A-2)</b>	<b>\$ 6,485</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, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- a. **Description of Reporting Entity** - Fire District No. 3 of Maurice River Township 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. 3 serves the Port Elizabeth 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. Supplemental Fire Service Program funds in the amount of \$577 were awarded from the State of New Jersey.

**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. At December 31, 2012, the Capital Fund is comprised of \$2,591 in funds reserved for future capital purchases.

**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.

- 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.

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

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

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

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 Exhibits C-1 and I-3, and in the detail statements, include modifications to the adopted budget that were made during the year as approved by the Board of Commissioners.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the General Fund Budgetary Comparison Schedule and the Special Revenue Fund Budgetary Comparison Schedule to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. Note that the Fire District does not report encumbrances outstanding at year-end as expenditures in the general fund since the general fund budget follows modified accrual basis of accounting.

**Encumbrances** - Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances, 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 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.

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

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

- 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.
- 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.

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

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

g. **Capital Assets (Continued)**

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 and reported 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 Assets.
- i. **Deferred Revenue** - Deferred revenue in the special revenue fund represents cash, which has been received but not yet earned.
- 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: 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.

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

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

- k. Fund Equity** - 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.
- 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.

**2. CASH AND CASH EQUIVALENTS**

**Custodial Credit Risks**

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.

Custodial Credit Risk for deposits is the risk that, in the event of 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 the 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 \$44,928 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
Vehicles	\$ 36,655	\$	\$	\$ 36,655
Equipment	53,417			53,417
Totals at Historical Cost	<u>90,072</u>			<u>90,072</u>
Less Accum. Depreciation for:				
Vehicles	(7,331)	(7,331)		(14,662)
Equipment	(10,683)	(10,683)		(21,366)
Total Accum. Depreciation	<u>(18,014)</u>	<u>(18,014)</u>		<u>(36,028)</u>
Capital Assets, Net	<u>\$ 72,058</u>	<u>\$ (18,014)</u>	<u>\$</u>	<u>\$ 54,044</u>

**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	\$79,267,325	61,572	.081
2011	76,784,414	61,318	.080
2010*	76,647,931	60,840	.080
2009	37,100,174	60,650	.164
2008	36,536,121	60,371	.166
2007	36,371,740	57,900	.160
2006	36,350,233	57,000	.157

\* Reflects first year of Revaluation

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

**5. 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:

<u>Year</u>	<u>Unrestricted</u>		<u>Restricted</u>	
	<u>End of Year</u>	<u>Utilization in Subsequent Budget</u>	<u>End of Year</u>	<u>Utilized in Subsequent Year</u>
2012	\$ 52,009	\$ 9,960	\$ 28,404	0
2011	40,047	10,000	15,867	0
2010	57,766	30,273	16,606	0
2009	62,080	10,850	2,591	0
2008	56,510	2,980	2,591	0
2007	49,227	2,980	2,591	0
2006	38,013	41	2,591	0
2005	73,059	43,381	2,591	0
2004	33,759	5,320	2,591	0
2003	35,204	15,388	2,591	0

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

There were no deferred charges to be raised in 2012.

**7. LITIGATION**

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

**8. SUBSEQUENT EVENTS**

None

**9. 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. The District maintains insurance coverage for property, liability and surety bonds.

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

**10. RESTRICTED FUND BALANCE**

The restricted fund balance represents \$91 remaining from the VESO loan, \$2,500 donated by the Port Elizabeth Fire Company and \$25,813 for Future Capital Outlay. The use of such funds is contingent upon voter approval the year in advance of the purchase, which must be budgeted.

End of Notes to Financial Statements

**REQUIRED SUPPLEMENTARY INFORMATION – PART II**

**BUDGETARY COMPARISON SCHEDULES**

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

	2012			Variance Favorable (Unfavorable)	2011
	Original Budget	Modified Budget	Actual		Actual
<u>Revenues</u>					
Revenues and Other Financing Sources:					
Operating Grant Revenue:					
Supplemental Fire Services Program	\$ 576	\$ 576	\$ 577	\$ 1	\$ 576
Miscellaneous Revenue Not Anticipated:					
Interest on Deposits and Investments			52	52	55
Miscellaneous Income					75
Total Miscellaneous Revenues			52	52	130
Amount to be Raised by Taxation to Support District Taxes	61,572	61,572	61,572		61,318
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 62,148</b>	<b>\$ 62,148</b>	<b>\$ 62,201</b>	<b>\$ 53</b>	<b>\$ 62,024</b>
<u>Expenditures</u>					
Administration					
Professional Services	\$ 4,850	\$ 4,850	\$ 4,480	\$ 370	\$ 4,392
Advertising	600	600		600	62
Membership and Dues	100	100		100	
Office Expenses	550	550	538		550
Elections	500	500	290	210	150
Total Administration	6,600	6,600	5,308	1,280	5,154
Cost of Operations					
Maintenance and Repairs	13,330	13,330	5,063	8,267	4,330
Training and Education	250	250	685	(435)	
Reimbursement for Expenses and Losses	500	500		500	
Supplies	10,000	10,000	215	9,785	7,293
Testing and Inspections	2,400	2,400		2,400	570
Contracted Services Provided by Volunteer For Companies (N.J.S.A. 40A:14-68)	26,431	26,431	26,431		26,431
Hepatitis B Vaccinations	100	100		100	
Contingent Expenses					49
Total Cost of Operations	53,011	53,011	32,394	20,617	38,673
Capital Outlay - Purchase of First Responder Truck					36,655
Reserve for Future Capital Outlay	12,537	12,537		12,537	
<b>Total Operating and Maintenance</b>	<b>\$ 72,148</b>	<b>\$ 72,148</b>	<b>\$ 37,702</b>	<b>\$ 34,434</b>	<b>\$ 80,482</b>

See Notes to Financial Statements

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

	<u>2012</u>				<u>2011</u>
	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Excess (Deficit) of Revenue Over Expenditures	\$ (10,000)	\$ (10,000)	\$ 24,499	\$ 34,487	\$ (18,458)
Fund Balance - Beginning of Year	52,610	52,610	52,610		71,068
Fund Balance - End of Year	<u>\$ 42,610</u>	<u>\$ 42,610</u>	<u>\$ 77,109</u>	<u>\$ 34,499</u>	<u>\$ 52,610</u>

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, 2012

**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	\$ 62,201	\$
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>\$ 62,201</u>	<u>\$</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 37,702	\$
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>\$ 37,702</u>	<u>\$</u>

**OTHER SUPPLEMENTARY INFORMATION**

**CAPITAL PROJECTS FUND**

**LONG-TERM DEBT**

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

	2012			Variance Positive (Negative) Final to Actual	2011
	Original Budget	Modified Budget	Actual		Actual
REVENUES:					
Amount to be Raised by Taxation to Support the District Budget	\$	\$	\$	\$	\$
EXPENDITURES:					
Principal Payments:					
Bond Anticipation Note					
Interest Payments:					
Bond Anticipation Note					
Total Expenditures					
Excess (Deficiency) of Revenues Over (Under) Expenditures					
Fund Balance, January 1			713		713
Fund Balance, December 31	\$	\$	\$ 713	\$	\$ 713

**SUPPLEMENTAL DATA**

EXHIBIT J-1

MAURICE RIVER FIRE DISTRICT NO. 3

COUNTY OF CUMBERLAND

SCHEDULE OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED DECEMBER 31, 2012

State Funding Department	State Program	GMIS Number	Grant Award Award Amount	State Share	From	To	Amount of Expenditures
Department of Community Affairs	Supplemental Fire Services Program	8030-100-022 8030-023-F165- 6020	\$ 577	\$ 577	1/1/2012	12/31/12	\$ 577

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

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Debt Service Fund</u>
Cash - December 31, 2011	\$ 70,470	\$ 2,591	\$ 713
Receipts:			
District Taxes	61,572		
SFSP - 2012	577		
Interest on Bank Deposits	52		
	<u>132,671</u>	<u>2,591</u>	<u>713</u>
Disbursements:			
Accounts Payable	8,260		
2012 Appropriations	29,227		
	<u>37,487</u>		
Cash - December 31, 2012	<u>\$ 95,184</u>	<u>\$ 2,591</u>	<u>\$ 713</u>
 <u>Analysis</u>			
Balance on Deposit per Statement:			
Susquehanna Bank:			
Account #56-330261-9	\$ 41,625	\$ 2,591	\$ 713
Add:			
Deposit in Transit	62,149		
	<u>103,773</u>	<u>2,591</u>	<u>713</u>
Less:			
Outstanding Checks	8,589		
	<u>\$ 95,184</u>	<u>\$ 2,591</u>	<u>\$ 713</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. 3 as of and for the year ended December 31, 2012 and have issued our report thereon dated April 22, 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. 3 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. 3 is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments 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. 3 taken as a whole. However, our study and evaluation disclosed one condition that we believe to be a material weakness, which is Finding No. 2012-1.

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.

The report dated April 22, 2013 is intended solely for the use of management and the Division of Local Government Services and should not be used for any other purpose.

**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. The minutes indicate that no bids were requested by public advertising in 2012 and our examination did not reveal any items required to be advertised for bids.

**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, which is in excess of \$2,625. The award shall be made on the basis of the lowest responsible quotation received, which quotation is most advantageous to the contracting unit, price and other factors considered; provided, however, that 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 made.

**OTHER GENERAL COMMENTS**

**Purchase Orders/Vouchers**

Our review of the purchasing and disbursements procedure disclosed that purchase orders/vouchers were used and contained the appropriate signatures for approval.

**Minutes**

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

**GENERAL COMMENTS** (Continued)

**Finding No. 2012 – 1 – Fixed Asset Accounting System**

**Condition**

The District's general fixed asset listing is not up to date as required by N.J.S.A. 5:30-5.6. Additions and deletions are not fully recorded and all fixed assets do not appear to have an identifying tag.

**Criteria**

N.J.A.C. 5:30-5.6 states that all government agencies should implement and maintain a fixed asset accounting and reporting system.

**Effect**

The District does not appear to have an accurate listing of all land, property and equipment owned.

**Cause**

Limited personnel

**Recommendation**

An analysis of Fixed Assets should be made in order to compute and record Depreciation Expense in accordance with Government Accounting Standards Board (GASB-34) reporting requirements.

**Corrective Action**

A complete inventory of fixed assets will be taken and an analysis of the estimated historical cost and useful life will be prepared in order to support the necessary depreciation calculations. This inventory and analysis should be completed in 2013.

**Finding No. 2012 – 2 – Cancelled Checks and Bank Statements**

**Condition**

Cancelled checks were not made available for audit. In addition, Bank Statements were not available for audit, covering the months of August 2012 through December 2012.

**Criteria**

Both front and reverse sides of cancelled checks need to be available for various audit steps.

**Effect**

Verification of appropriate check signers, vendor endorsements and other receipts and disbursement activity was not possible.

**Cause**

Limited personnel

**Recommendation**

Cancelled checks or copies of the front and reverse sides of cancelled checks should be available for audit, as well as Bank Statements.

**GENERAL COMMENTS** (Continued)

**Corrective Action**

Cancelled checks will be kept on file by the district or copies of both sides of each check be made available upon request, in the future. In addition Bank Statements will be available for audit in all cases.

**Finding No. 2012 – 3 – Budget Over Expenditure**

**Condition**

One budget line item exceeded the amount approved in the 2012 Adopted Budget.

**Criteria**

A Technical Directive of the Division of Local Government Services requires that a functioning encumbrance expenditure accounting system be maintained, which does not permit commitments or expenditures in excess of the available appropriation.

**Effect**

The budget line item was over expended indicating that internal control over expenditures needs to be strengthened.

**Cause**

A budget transfer resolution was not approved within the statutory timeline.

**Recommendation**

The selective encumbrance method of recording expenditures should be maintained, in order to provide adequate budgetary controls and avoid over expenditure of appropriations.

**Corrective Action**

A comprehensive review of procedures covering Fire District expenditures will be made, to assure compliance with N.J.S.A. 40-A-11, with greater emphasis on monitoring the status of the budget on a monthly basis.

**Finding No. 2012 – 4 – Bank Reconciliations**

**Condition**

The December 31, 2012 bank reconciliation was not available for audit.

**Criteria**

Bank reconciliations should be prepared monthly in order to support the cash amount reflected in the general ledger and financial statements.

**Effect**

Adjustments were required in order to reflect the actual cash balance as of December 31, 2012.

**Cause**

Limited personnel

**GENERAL COMMENTS (Continued)**

**Recommendation**

Bank reconciliations should be prepared on a monthly basis.

**Corrective Action**

Bank reconciliations will be prepared on a monthly basis in the future.

**Finding No. 2012 -5 - Deposits**

**Condition**

Deposits of cash receipts were not made in a timely manner, which is within 48 hours, by statute.

**Effect**

District funds were not always available for working capital and investment purposes.

**Cause**

Limited personnel

**Recommendation**

Receipts should be deposited within 48 hours, as required by statute.

**Corrective Action**

Greater effort will be expended to assure that deposits of cash receipts are made within 48 hours as required by statute.

**STATUS OF PRIOR YEAR AUDIT FINDINGS**

**Finding 2011 - 1 – Fixed Asset Accounting System**

**Condition**

The District's general fixed asset listing is not up to date as required by N.J.S.A. 5:30-5.6. Additions and deletions are not fully recorded and all fixed assets do not have an identifying tag.

**Current Status**

This has not been resolved.

**Finding 2011 - 2 – Deposit**

**Condition**

Deposits of cash receipts were not made in a timely manner, which is by statute within 48 hours.

**Current Status**

This has not been resolved.

**STATUS OF PRIOR YEAR AUDIT FINDINGS** (Continued)

**Finding 2011 – 3 – Cancelled Checks**

**Condition**

Cancelled checks were not made available for audit

**Current Status**

This has not 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.

**RECOMMENDATIONS**

- \*1. An analysis of Fixed Assets should be made in order to compute and record Depreciation Expense in accordance with Government Accounting Standards Board (GASB-34) reporting requirements.
  - \*2. Cancelled checks or copies of the front and reverse side of cancelled checks, as well as Bank Statements should be available for audit, as required.
  3. The selective encumbrance method of recording expenditures should be maintained, in order to provide adequate budgetary controls and avoid over expenditure of appropriations.
  4. Bank reconciliations should be prepared on a monthly basis
  - \*5. Receipts should be deposited within 48 hours, as required by New Jersey statute.
- \* Appears in prior year audit.

**REPORTABLE CONDITIONS AND OTHER FINDINGS**

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