

MAURICE RIVER
FIRE DISTRICT NO. 4
COUNTY OF CUMBERLAND
REPORT OF AUDIT
DECEMBER 31, 2012

MAURICE RIVER TOWNSHIP FIRE DISTRICT NO. 4

COUNTY OF CUMBERLAND

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MAURICE RIVER TOWNSHIP FIRE DISTRICT NO. 4

COUNTY OF CUMBERLAND

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The following officials were in office during 2012:

<u>NAME</u>	<u>TITLE</u>
<u>Board of Commissioners</u>	
Charles Costello	Chairman
F. Barry Fisher	Secretary
Sherri Welch	Treasurer
William Malone Jr.	Commissioner
Lillian Johnson	Commissioner

A blanket bond was in force through the Township's insurance agent in the amount of \$25,000.00 covering the treasurer.

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

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April 22, 2013

INDEPENDENT AUDITOR'S REPORT

Chairman and Members of the
Maurice River Fire District No. 4
County of Cumberland
P.O. Box 823
Millville, New Jersey 08332

We have audited the accompanying financial statements of the governmental activities and each major fund of the Maurice River Fire District No. 4 ("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 basic 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 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. 4, 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.

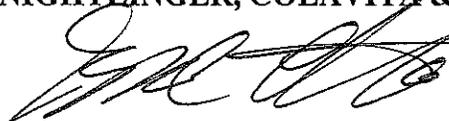
In accordance with Government Auditing Standards, we have also issued our report dated April 22, 2013 on our consideration of the Fire District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other 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 read in conjunction with this report in considering 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 26 through 27 and 29 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

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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. 4
County of Cumberland
P.O. Box 823
Millville, New Jersey 08332

We have audited the financial statements of the governmental activities and each major fund of the Maurice River Township Fire District No. 4 (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. 4, 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 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 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 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.

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. 4
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. 4, we offer the readers of the Maurice River Township Fire District No. 4 financial statements this narrative overview and analysis of the financial activities of the Maurice River Township Fire District No. 4 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 and 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. 4 exceeded its liabilities, at the close of the most recent year, by \$430,324 (Net Assets).
- As of the close of the current year, the Maurice River Township Fire District No. 4's governmental funds reported combined ending fund balances of \$212,867, which is an increase of \$42,888 in comparison with the prior year. The increase is attributed to budgeting.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Maurice River Township Fire District No. 4's basic financial statements. The Maurice River Township Fire District No. 4'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. 4'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. 4'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. 4 is improving or deteriorating.

The Statement of Activities presents information showing how the Maurice River Township Fire District No. 4'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. 4 that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Maurice River Township Fire District No. 4 include fire-fighting/suppression services that are provided to the citizens of the Maurice River Township Fire District No. 4.

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. 4, 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. 4 constitute one fund type, which is the governmental fund type.

Governmental Funds. All of the Maurice River Township Fire District No. 4'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. 4'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. 4 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. 4 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. 4, assets exceeded liabilities by \$430,324 at the close of the most recent year.

The largest portion of the Maurice River Township Fire District No. 4's net assets (51 percent) reflects its investment in capital assets (i.e. buildings and equipment).

The Maurice River Township Fire District No. 4 uses these assets to provide fire-fighting/suppression services to the citizens of the Maurice River Township Fire District No. 4; consequently these assets are not available for future spending.

Although the Maurice River Township Fire District No. 4'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 2012 and 2011.

**Table 1
Net Assets**

	<u>2012</u>	<u>2011</u>
Assets		
Cash	\$ 214,067	\$ 173,402
Unamortized Debt Issue Costs	560	840
Capital Assets, net	255,001	282,908
Total Assets	<u>469,628</u>	<u>457,150</u>
Liabilities		
Accounts Payable	200	2,423
Accrued Interest	104	156
Truck Loan Due Within One Year	19,000	19,000
Cell Phone Tower Deposit	1,000	1,000
Non-current Portion of Truck Loan Payable	19,000	38,000
Total Liabilities	<u>39,304</u>	<u>60,579</u>
Net Assets	<u>\$ 430,324</u>	<u>\$ 396,571</u>
Analysis of Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 217,561	\$ 226,748
Restricted		
Fire Truck Down Payment	509	509
Future Capital Outlay	141,749	105,313
Other Purposes	17,808	17,969
Unrestricted	<u>52,697</u>	<u>46,032</u>
Total Net Assets	<u>\$ 430,324</u>	<u>\$ 396,571</u>

In total, net assets of governmental activities increased \$33,753 from the previous year, primarily due to an increase in tax levy combined with spending less than anticipated in the 2012 Adopted Budget.

Total Liabilities decreased by \$21,275 from 2011 due to a reduction in the non-current portion of the truck loan payable of \$19,000 and accounts payable of \$2,223.

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. Table 2 shows the changes in net assets from years 2012 and 2011.

Table 2
Change in Net Assets

	<u>2012</u>	<u>2011</u>
Expenses		
Operating Expenses		
Administration	\$ 9,291	\$ 5,647
Cost of Operations and Maintenance	20,001	22,575
Interest on Long-Term Debt	2,073	3,046
Depreciation	36,103	35,859
Amortization of Debt Issue Costs	280	280
	<u>67,748</u>	<u>67,407</u>
Total Program Expenses		
Program Revenues		
Operating Grants & Contributions	577	577
	<u>67,171</u>	<u>66,830</u>
Net Program Expenses		
Taxes:		
Property Taxes, Levied for General Purpose	79,679	64,155
Taxes Levied for Debt Service	21,125	21,890
Miscellaneous Revenues	120	38
	<u>100,924</u>	<u>86,083</u>
Total General Revenues		
Increase (Decrease) in Net Assets	33,753	19,253
Net Assets, January 1	<u>396,571</u>	<u>377,318</u>
Net Assets, December 31	<u>\$ 430,324</u>	<u>\$ 396,571</u>

Property taxes constituted 99% of revenues for government activities for the Fire District for the year 2012. Cost of Operations and maintenance comprises 30% of fire district expenses.

Financial Analysis of the Government Funds

As previously stated, the Maurice River Township Fire District No. 4 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. 4'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. 4'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 governmental funds reported combined ending fund balances of \$212,867, an increase of \$42,888 in comparison with the prior year. The increase was projected in the annual budget.

This ending fund balance represents unreserved fund balance of \$70,609, of which \$17,808 has been utilized in the 2013 budget for Maurice River Township Fire District No. 4. Part of the remaining fund balance, in the amount of \$142,258, is reserved to indicate that it is not available for new spending during 2012. This is because it is committed to planned future capital outlays that are subject to the approval of the voters of the Maurice River Township Fire District No. 4. The general fund is the main operating fund of the District.

The fund balance of the Maurice River Township Fire District No. 4's general fund increased by \$42,888 during the current year. Key factors are as follows:

Actual Revenues were greater than budgeted revenues by \$629 and actual Expenditures were \$60,228 less than budgeted, resulting in positive funds of \$60,857.

Capital Projects Fund

The capital projects fund had a balance of \$509 at December 31, 2012, which is reserved for the fire truck expenditures and various other capital projects.

General Fund Budgetary Highlights

During the course of the year 2012, the Maurice River Township Fire District No. 4 did not modify its general fund budget.

The District was awarded a Supplemental Fire Services Program Aid of \$577.

The original General Fund budgetary revenue estimate of \$79,747 was the same as the final budget.

During the year 2012, the Maurice River Township Fire District No. 4 budgeted \$100,804 for property taxes (local tax levy). The general fund portion of the local tax levy was \$79,679 and the debt service portion was \$21,125.

The original General Fund operating budgetary estimate of \$97,716 was the same as the final budget for planned expenditure appropriations.

Debt Service expenditures were \$19,000 in Principal payments and \$2,125 in Note Interest.

The final budgetary basis expenditure appropriation estimate was equal to the final budgetary revenue.

Capital Assets and Debt Administration

Capital Assets. The Maurice River Township Fire District No. 4's investment in capital assets for its governmental activities as of December 31, 2012 amounts to \$255,001. This investment in capital assets includes building improvements, vehicles and firefighting equipment.

Depreciation was charged in 2012 and 2011, with the accumulated amount reflected as of the respective year-ends.

CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)

	<u>2012</u>	<u>2011</u>
Firefighting Equipment	\$ 28,550	\$ 36,259
Equipment		42
Vehicles	226,451	246,607
Total Capital Assets	<u>\$ 255,001</u>	<u>\$ 282,908</u>

Additional information on the Maurice River Township Fire District No. 4'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. 4 had a balance in debt of \$38,000 in the form of a truck loan. As of December 31, 2012, the Maurice River Township Fire District No. 4 had no obligations under capital lease agreements.

Economic Factors and Next Years Budget

For the 2012 year the Maurice River Township Fire District No. 4 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 December 19, 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 Ms. Sherri Welch, Secretary of Maurice River Fire District No. 4, PO Box 823, Millville, NJ 08332.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
DECEMBER 31, 2012

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents (Note 1d)	\$ 214,067
Unamortized Debt Issue Costs	560
Equipment, net (Note 3)	255,001
Total Assets	<u>469,628</u>
LIABILITIES	
Accounts Payable	200
Accrued Interest	104
Non-Current Liabilities (Note 5)	
Due within One Year	19,000
Due beyond One Year	19,000
Cell Phone Tower Deposit	1,000
Total Liabilities	<u>39,304</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt Restricted	217,561
Fire Truck Down Payment	509
Future Capital Outlay	141,749
Other Purposes	17,808
Unrestricted	52,697
Total Net Assets	<u>\$ 430,324</u>

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

STATEMENT OF ACTIVITIES
DECEMBER 31, 2012

Governmental
Activities

Expenses:

Operating Appropriations:

Administration	\$ 9,291
Cost of Operations and Maintenance	20,001
Interest on Long Term Debt	2,073
Depreciation	36,103
Amortization of Debt Issue Costs	280

Total Program Expenses 67,748

Program Revenues:

Operating Grants and Contributions	<u>577</u>
------------------------------------	------------

Net Program Expenses 67,171

General Revenues:

Property Taxes, Levied for General Purposes	79,679
Taxes Levied for Debt Service	21,125
Miscellaneous Revenues	120

Total General Revenues 100,924

Excess of Revenue over Program Expenses 33,753

Net Assets, January 1 396,571

Net Assets, December 31 \$ 430,324

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

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 213,558	\$ 509	\$ 214,067
Total Assets	\$ 213,558	\$ 509	\$ 214,067
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 200	\$	\$ 200
Cellphone Tower Deposit	1,000		1,000
Total Liabilities	1,200		1,200
Fund Balances:			
Restricted for:			
Fire Truck Down Payment		509	509
Capital Outlay	141,749		141,749
Assigned Fund Balance:			
Designated for Subsequent Year's Expenditures	17,808		17,808
Unassigned, Reported in:			
General Fund	52,801		52,801
Total Fund Balances	212,358	509	212,867
Total Liabilities and Fund Balances	\$ 213,558	\$ 509	

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 \$702,242. and accumulated depreciation is \$447,241. (Note 3)

255,001

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).

(38,000)

The costs associated with the issuance of bonds are expensed in the governmental funds in the year the bonds are issued, but are capitalized in the Statement of Net Assets.

The bond issuance costs are \$2,800 and accumulated amortization is \$2,240.

560

Accrued interest on the Bond Anticipation Note is not paid within the current period and therefore, not reported in the Governmental Funds.

(104)

Net assets of governmental activities

\$ 430,324

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>
REVENUES				
Miscellaneous Anticipated Revenues	\$ 577	\$	\$	\$ 577
Amount to be Raised by Taxation	79,679		21,125	100,804
Non-Budgetary Revenues	120			120
Total Revenues	<u>80,376</u>		<u>21,125</u>	<u>101,501</u>
EXPENDITURES				
Operating Appropriations:				
Administration	9,291			9,291
Cost of Operations and Maintenance	28,197			28,197
Debt Service				
Principal			19,000	19,000
Interest			2,125	2,125
Total Expenditures	<u>37,488</u>		<u>21,125</u>	<u>58,613</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>42,888</u>			<u>42,888</u>
Fund Balance—Jan 1	<u>169,470</u>	<u>509</u>		<u>169,979</u>
Fund Balance—Dec 31	<u>\$ 212,358</u>	<u>\$ 509</u>	<u>\$</u>	<u>\$ 212,867</u>

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) \$ 42,888

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	\$ (36,103)	
Amortization - Debt Issue Costs	(280)	
Capital outlays	8,196	(28,187)

Adjustment to Net Fixed Assets

In the Statement of Activities, interest on Bond Anticipation Note is accrued, regardless of when it is due. 52

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. 19,000

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

Change in net assets of governmental activities (A-2) \$ 33,753

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

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. **Description of Reporting Entity** - Fire District No. 4 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. 4 serves the Cumberland 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 - This 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 was comprised of \$509 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 Exhibit 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:

<u>Description</u>	<u>Estimated</u> <u>Lives</u>
Buildings and Improvements	30 Years
Vehicles	5-20 Years
Firefighting Equipment	5-10 Years

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 the larger of \$60,000 or 2 percent of the assessed valuation of property.

- 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.
- 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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

a. 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 which are classified as credit risk.

Custodial Credit Risk that, in the event of a bank failure, the districts deposits may to 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 \$184,232 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	Adjustments	Balance December 31, 2012
Equipment	\$ 2,542	\$	\$	\$ 2,542
Building	100,000			100,000
Firefighting Equipment	85,483			85,483
Vehicles	506,022	8,196		514,218
Totals at Historical Costs	694,047	8,196		702,243
Less Accum. Depreciation for:				
Equipment	(2,500)	(42)		(2,542)
Building	(100,000)			(100,000)
Firefighting Equipment	(49,224)	(7,709)		(56,933)
Vehicles	(259,415)	(28,352)		(287,767)
Total Accum. Depreciation	(411,139)	(36,103)		(447,242)
Capital Assets, Net	\$ 282,908	\$ (27,907)		\$ 255,001

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 seven years:

<u>Fiscal Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2012	\$ 70,307,583	\$ 100,804	\$.144
2011	70,492,576	86,045	.123
2010*	71,703,821	78,675	.110
2009	36,256,350	71,132	.197
2008	35,744,514	70,720	.198
2007	35,397,060	68,000	.192
2006	34,512,588	67,500	.196
2005	34,133,800	60,700	.178

*Reflects first year of Revaluation

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

5. DEBT SERVICE

A truck loan was issued on December 23, 2005 for the planned purchase of a new fire truck of which the amortization schedule is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2013	19,000	1,348
2014	19,000	577

6. UNRESERVED FUND BALANCE

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>End of Year</u>		<u>Utilization in Subsequent Budget</u>	
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Restricted</u>
2012	\$ 70,609	\$ 142,258	\$ 17,808	\$
2011	64,157	105,822	17,969	
2010	58,181	82,184		
2009	54,801	66,059		
2008	105,838	66,509	57,539	
2007	123,838	34,509	24,712	
2006	134,369	5,509	21,712	
2005	116,547	509	13,071	
2004	118,508	509	16,000	

7. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGET

There were no deferred charges to be raised in 2012.

8. LITIGATION

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

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.

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

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

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

	2012			Variance	2011
	Budget	Modified Budget	Actual	Favorable (Unfavorable)	Actual
Revenues and Other Financing Sources:					
Operating Grant Revenue:					
Supplemental Fire Services Program	\$	\$	\$ 577	\$ 577	\$ 577
District Tax Raised to Support District Budget	79,679	79,679	79,679		64,155
Miscellaneous Revenues Not Anticipated:					
Miscellaneous Revenue	68	68	120	52	38
Total Miscellaneous Revenues	68	68	120	52	38
Total Revenues and Other Financing Sources	\$ 79,747	\$ 79,747	\$ 80,376	\$ 629	\$ 64,770
Expenditures					
Operating and Maintenance:					
Administration					
Office Expenses	\$ 1,000	\$ 1,000	\$ 65	\$ 935	\$ 894
Professional Services	24,390	24,390	8,718	15,672	4,240
Election	430	430	200	230	200
Membership and Dues	100	100	24	76	15
Contingent	180	180		180	
Advertising	700	700	284	416	298
Total Administration	26,800	26,800	9,291	17,509	5,647
Cost of Operations					
Maintenance and Repairs	8,480	8,480	6,927	1,553	7,091
Utilities and Telephone	6,000	6,000	4,963	1,037	5,401
Purchase of Equipment	15,000	15,000	12,920	2,080	13,672
Training	1,500	1,500	392	1,108	365
Clothing Allowance	3,000	3,000	2,995	5	2,980
Contingency Expenses	500	500		500	
Total Cost of Operations	34,480	34,480	28,197	6,283	29,509
Capital Appropriations					
Reserve for Future Capital Outlays	36,436	36,436		36,436	
Totals	97,716	97,716	37,488	60,228	35,156
Excess (Deficit) of Revenue Over Expenditures	(17,969)	(17,969)	42,888	(60,857)	29,614
Fund Balance - Beginning of Year	169,470	169,470	169,470		139,856
Fund Balance - End of Year	\$ 151,501	\$ 151,501	\$ 212,358	\$ 60,857	\$ 169,470

See Notes to Financial Statements

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>
Sources/inflows of resources	
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 80,376
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>\$ 80,376</u>
Uses/outflows of resources	
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 37,488
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>\$ 37,488</u>

OTHER SUPPLEMENTARY INFORMATION

LONG-TERM DEBT

SCHEDULE OF BOND ANTICIPATION NOTE

Purpose	Date of		Maturity	Amount	Balance December 31, 2011	Issued	Redeemed	Balance December 31, 2012
	Issue	Date						
Purchase of Fire Truck	12/23/04	6/6/13	\$ 9,500	9,500	\$ 57,000	\$	\$ 19,000	\$ 38,000
		12/6/13	9,500	9,500				
		6/6/14	9,500	9,500				
		12/6/14	9,500	9,500				

See Notes to Financial Statements

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

	2012			2011
	Original Budget	Modified Budget	Actual	
REVENUES:				
Amount to be Raised by Taxation to Support the District Budget	\$ 21,125	\$ 21,125	\$ 21,125	\$ 21,890
EXPENDITURES:				
Principal Payments:				
Bond Anticipation Note	19,000	19,000	19,000	19,000
Interest Payments:				
Bond Anticipation Note	2,125	2,125	2,125	2,890
Total Expenditures	21,125	21,125	21,125	21,890
Excess (Deficit) of Revenue Over (Under) Expenditures				
Fund Balance - Beginning of Year				
Fund Balance - End of Year	\$	\$	\$	\$

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

SUPPLEMENTAL DATA

COUNTY OF CUMBERLAND

SCHEDULE OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED DECEMBER 31, 2012

<u>State Funding Department</u>	<u>State Program</u>	<u>GMIS Number</u>	<u>Grant Award Award Amount</u>	<u>State Share</u>	<u>From</u>	<u>To</u>	<u>Amount of Expenditures</u>
Department of Community Affairs	Supplemental Fire Services Program	8030-100-022 8030-023-F165- 6020	\$ 577	\$ 577	1/1/12	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	\$ 172,384	\$ 509	\$
Receipts:			
District Taxes	79,679		21,125
Supplemental Fire Service Program Aid - 2012	577		
Interest	120		
	<u>252,760</u>	<u>509</u>	<u>21,125</u>
Disbursements:			
Accounts Payable	2,423		
Budget Appropriations	36,779		21,125
	<u>39,202</u>	<u></u>	<u>21,125</u>
Cash - December 31, 2012	<u>\$ 213,558</u>	<u>\$ 509</u>	<u>\$</u>

See Notes to Financial Statements

SCHEDULE OF FINDINGS AND
RECOMMENDATIONS

GENERAL COMMENTS

We have audited the financial statements of the Maurice River Fire District No. 4 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. 4 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. 4 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. 4 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.

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

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

N.J.S. 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. 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, 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

Minutes

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

Purchase Orders/Vouchers

Our review of the purchasing and disbursing procedure disclosed that purchase orders/vouchers were used and the invoices contained the appropriate signatures for approval. Endorsements on expenditure checks could only be examined where the bank provides copies of the front and reverse side of the check.

PRIOR YEAR AUDIT FINDINGS

There were no findings in the prior year.

RECOMMENDATIONS

None

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