

**TOWNSHIP OF GLOUCESTER  
FIRE DISTRICT NO. 2**

**BLACKWOOD, NEW JERSEY  
CAMDEN COUNTY**



**REPORT OF AUDIT  
FOR THE YEAR ENDED  
DECEMBER 31, 2013**



*75 YEARS OF SERVICE*  
— 1939-2014 —

**FIRE DISTRICT NO. 2  
TOWNSHIP OF GLOUCESTER, NEW JERSEY**

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**FIRE DISTRICT NO. 2  
TOWNSHIP OF GLOUCESTER, NEW JERSEY**

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**FIRE DISTRICT NO. 2  
TOWNSHIP OF GLOUCESTER, NEW JERSEY  
Roster of Officials and Surety Bonds**

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**Board of Commissioners**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Amount of Surety Bond</u></b>
George H. Genzel	Chairman	(A)
Raymond W. Evans	Secondary Chairman	(A)
Kevin Donahue	Secretary/ Treasurer	(A)
Gabe Busa	Commissioner	(A)
Joseph Reichert	Commissioner	(A)

**Other Officials**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Amount of Surety Bond</u></b>
Michael Zawojski	Administrative Clerk	(A)
Kenneth Young	Fire Official	(A)

(A) Emergency Services Insurance Program supplied by VFIS provides a blanket bond in the amount of \$200,000.00.

## **FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

Board of Fire Commissioners  
Fire District No. 2  
Township of Gloucester  
Blackwood, New Jersey 08012

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

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Township of Gloucester Fire District No. 2, in the County of Camden, State of New Jersey, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fire District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fire District's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Township of Gloucester Fire District No. 2, in the County of Camden, State of New Jersey as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Gloucester Fire District No. 2's basic financial statements. The related major fund supporting statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statements and schedules previously referred to are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated May 5, 2014 on our consideration of the Township of Gloucester Fire District No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Township of Gloucester Fire District No. 2's internal control over financial reporting and compliance.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
May 5, 2014

**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**

**INDEPENDENT AUDITOR'S REPORT**

Board of Fire Commissioners  
Fire District No. 2  
Township of Gloucester  
Blackwood, New Jersey 08012

We have audited, in accordance with the 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 the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities, and each major fund of the Township of Gloucester Fire District No. 2, in the County of Camden, State of New Jersey, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Fire District's basic financial statements, and have issued our report thereon dated May 5, 2014.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Township of Gloucester Fire District No. 2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of Township of Gloucester Fire District No. 2's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did not identify certain deficiencies in internal control.



***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Township of Gloucester Fire District No. 2's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards or audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey and which are described in the accompanying Schedule of Findings and Recommendations as item 2013-1.

***The Township of Gloucester Fire District No. 2's Response to Findings***

The Township of Gloucester Fire District No. 2's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Recommendations. The Fire District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fire District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the Fire District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
May 5, 2014

**REQUIRED SUPPLEMENTARY INFORMATION  
PART I**

GLOUCESTER TOWNSHIP FIRE DISTRICT NO. 2  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(UNAUDITED)

As management of the Gloucester Township Fire District No. 2, we offer readers of the Gloucester Township Fire District No. 2 financial statements this narrative overview and analysis of the financial activities of the Gloucester Township Fire District No. 2 for the years ended December 31, 2013 and 2012. The intent of this discussion and analysis is to look at the Township of Gloucester Fire District No. 2 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 Gloucester Township Fire District No. 2's financial performance.

Financial Highlights

- The assets of Gloucester Township Fire District No. 2 exceeded its liabilities at the close of 2013 by \$1,431,178.66 (Net Position) and at the close of 2012 by \$1,462,890.22 (Net Position).
- As of the close of 2013 the Gloucester Township Fire District No. 2's governmental funds reported combined ending fund balances of \$791,451.63 increased in the amount of \$82,960.16 over the combined ending fund balances as of December 31, 2012. The year 2012 reflected an increase of \$47,018.78 over the combined ending fund balances as of December 31, 2011 to reflect ending fund balances in the amount of \$708,491.47 as of December 31, 2012.
- As of December 31, 2013, the unassigned fund balance for the general fund was \$292,536.90 and as of December 31, 2012, unassigned fund balance for the general fund was \$372,988.41. The unassigned fund balance of the general fund decreased approximately 21.5% during 2013 and increased approximately 32.9% during 2012.
- Total liabilities of Gloucester Township Fire District No. 2 in the amount of \$195,441.17 as of December 31, 2013 represented an increase in the amount of \$588.67 as compared to the amount at December 31, 2012, \$194,852.50. This increase is primarily attributable to an increase in Noncurrent liabilities balance at December 31, 2013 being more than 2012. Noncurrent Liabilities in the amount of \$131,675.26 represents compensated absences as of December 31, 2013.

**Overview of Financial Statements**

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

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Gloucester Township Fire District No. 2's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the Gloucester Township Fire District No. 2's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Gloucester Township Fire District No. 2 is improving or deteriorating.

The statement of activities presents information showing how the Gloucester Township Fire District No. 2's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., earned but unused sick leave).

Both of the government-wide financial statements distinguish functions of the Gloucester Township Fire District No. 2 that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Gloucester Township Fire District No. 2 include fire-fighting and emergency medical services that are provided to the citizens of the Gloucester Township Fire District No. 2.

**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 Gloucester Township Fire District No. 2, 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 Gloucester Township Fire District No. 2 constitute one fund type, governmental funds.

**Governmental Funds.** All of the Gloucester Township Fire District No. 2'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 Gloucester Township Fire District No. 2's general government operations and the basic services it provides. Government fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance fire-fighting and emergency medical services operations.

The Gloucester Township Fire District No. 2 maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, special revenue fund, capital projects fund, and the debt service fund.

The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

Also, Gloucester Township Fire District No. 2 adopts an annual budget in accordance with N.J.S.A. 40A:14-78-3. Budgetary comparison schedules have been provided to demonstrate compliance with the budget.

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

**Government-wide Financial Analysis**

As noted earlier, the net position may serve over time as a useful indicator of a government's financial position. In the case of the Gloucester Township Fire District No. 2, assets exceeded liabilities by \$1,431,178.66 as of December 31, 2013 and \$1,462,890.22 as of December 31, 2012.

As of December 31, 2013 the largest portion of the Gloucester Township Fire District No. 2's net position (54 percent) reflects net investment in capital assets. As of December 31, 2012 the largest portion of the Gloucester Township Fire District No. 2's net position (60 percent) reflects its net investment in capital assets. Capital assets include land, buildings and equipment net of related debt.

The Gloucester Township Fire District No. 2 uses these assets to provide fire-fighting and emergency medical services to the citizens of the Gloucester Township Fire District No. 2; consequently these assets are not available for future spending. Although the Gloucester Township Fire District No. 2'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 other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Statement of Net Position**  
Township of Gloucester Fire District No. 2  
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash and Cash Equivalents	\$ 855,217.54	\$ 725,595.49
Prepaid Expenses		49,129.00
Capital Assets	<u>771,402.29</u>	<u>883,018.23</u>
	<u>1,626,619.83</u>	<u>1,657,742.72</u>
Noncurrent Liabilities	131,675.26	128,619.48
Other Liabilities	<u>63,765.91</u>	<u>66,233.02</u>
	<u>195,441.17</u>	<u>194,852.50</u>
Net Position	<u>\$ 1,431,178.66</u>	<u>\$ 1,462,890.22</u>

**Analysis of Net Position**

Net Investment in Capital Assets	\$ 771,402.29	\$ 883,018.23
Restricted for Capital Projects	347,680.06	297,680.06
Unrestricted	<u>312,096.31</u>	<u>282,191.93</u>
	<u>\$ 1,431,178.66</u>	<u>\$ 1,462,890.22</u>

Capital assets are reported net of accumulated depreciation. As of December 31, 2013 accumulated depreciation was \$2,201,123.26 and as of December 31, 2012 accumulated depreciation was \$2,053,680.82.

**Governmental Activities.** The Statement of Activities shows the cost of the governmental activities program services and the charges for services and grants offsetting those services. Key elements of the decrease in governmental activities are as follows:

**Statement of Activities**

Township of Gloucester Fire District No. 2

December 31, 2013 and 2012

	2013	2012
Expenses		
Operating Expenses		
Administration	\$ 331,116.27	\$ 317,226.93
Cost of Operations and Maintenance	1,344,262.71	1,240,790.38
Operating Appropriations Offset with Revenues	33,645.80	29,000.00
Total Program Expenses	1,709,024.78	1,587,017.31
Less Program Revenues		
Charges for Services	34,799.39	34,693.89
Operating Grants and Contributions	7,473.44	5,827.08
Net Program Expenses	1,666,751.95	1,546,496.34
General Revenues		
Property Taxes, Levied for		
General Purposes	1,632,130.00	1,632,130.00
Debt Service		16,146.30
Miscellaneous Income	2,910.39	
Total General Revenues	1,635,040.39	1,648,276.30
Increase (Decrease) in Net Position	(31,711.56)	101,779.96
Net Position, January 1	1,462,890.22	1,361,110.26
Net Position, December 31	\$ 1,431,178.66	\$ 1,462,890.22

Property taxes constituted approximately 99% of general revenues from government activities for 2013 and 99% of revenues from government activities for 2012.

Cost of Operations and maintenance comprises 78.6% of fire district expenses during 2013 and 78.2% for 2012 and Administration Expenditures comprise 19.4% of fire district expenditures during 2013 and 20% during 2012.

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

As stated earlier, the Gloucester Township Fire District No. 2 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Fund.** The focus of the Gloucester Township Fire District No. 2's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Gloucester Township Fire District No. 2'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 2013 the Gloucester Township Fire District No. 2's governmental funds reported combined ending fund balances of \$791,451.63 an increase of \$82,960.16 in comparison with fund balances as of December 31, 2012. As of the end of 2012 Gloucester Township Fire District No. 2's governmental funds reported combined ending fund balances of \$708,491.47 an increase of \$47,018.78 in comparison with fund balances as of December 31, 2011.

Of the combined ending fund balances of \$791,451.63 as of December 31, 2013 the general fund is \$443,771.57 and the Capital Projects Fund is \$347,680.06.

Of the combined ending fund balances of \$708,491.47 as of December 31, 2012, general fund balance was \$410,811.41 and the Capital Projects Fund is \$297,680.05.

Of the general fund balance in the amount of \$443,771.57 as of December 31, 2013, \$119,142 is assigned as anticipated revenue in the 2014 budget. Of the general fund balance in the amount of \$410,811.41 as of December 31, 2012, the amount assigned for 2013 expenditures was \$37,823.00. General fund balance is an important item for the district because it permits the district to meet cash flow requirements and it is important to note that while the district has substantial mandatory expenditures during the first quarter of each year, the Township of Gloucester is not required to remit a portion of the tax levy to the district until April 1 of each year. The absence of an adequate amount of fund balance would severely limit the district's ability to protect its residents.

The general fund is the main operating fund of the Gloucester Township Fire District No. 2.

2013

The fund balance of the Gloucester Township Fire District No. 2's general fund increased by \$32,960.16 during 2013.

These are additional highlights:

- Maintenance and Repairs were less than anticipated.
- Costs of Administration were less than anticipated.
- Fringe Benefits were less than expected.
- Miscellaneous Revenues were less than the anticipated budget.

2012

The fund balance of the Gloucester Township Fire District No. 2's general fund increased by \$47,018.78 during 2012.

These are additional highlights:

- The Fire District did not have to make a debt service payment due to paying off their capital lease in 2011.
- Firefighting equipment and professional services expenditures decreased.

The capital projects fund was increased in the amount of \$50,000.00 during 2013 and \$50,000.00 during 2012 by way of a legal appropriation. This brought the balance of the capital projects fund to \$347,680.06 as of December 31, 2013 and \$297,680.06 as of December 31, 2012.

#### General Fund Budgetary Highlights

Gloucester Township Fire District No. 2's general fund budget is in conformance with statute. The key items of variance from the original budget are indicated above.

The final budgetary basis revenue estimate for 2013 was \$1,680,757.00 per exhibit C-1 of the enclosed report and 2012 was \$1,688,797.27.

During the year 2013 the Gloucester Township Fire District No. 2 budgeted \$1,632,130.00 for property taxes (local tax levy) to support the district budget and \$5,827.00 for state aid revenues (supplemental fire services grant) the actual amount received for 2013 was \$7,473.44. Fire Safety Act Revenue was budgeted for \$32,000.00. Gloucester Township Fire District No. 2 received fire safety act revenues in the amount of \$34,799.39 during 2013.

The final budgetary basis expenditures appropriation estimate for 2013 was \$1,718,580.74. The original budgetary estimate was the same.

The final budgetary basis expenditures appropriation estimate exceeds the final budgetary basis revenue in the amount of \$37,823.74. This is attributable to the use of a portion of unrestricted fund balance from December 31, 2012 fund the legally adopted budget for 2013.



During the year 2012, the Gloucester Township Fire District No. 2 budgeted \$1,632,130.00 for property taxes (local tax levy) to support the district budget and \$9,495.00 for state aid revenues (supplemental fire services grant). Fire Safety Act Revenue was budgeted for \$30,000.00. Gloucester Township Fire District No. 2 received fire safety act revenues in the amount of \$34,693.89 during 2012.

The final budgetary basis expenditures appropriation estimate for 2012 was \$1,815,630.00. The original budgetary estimate was the same.

The final budgetary basis expenditures appropriation estimate exceeds the final budgetary basis revenue in the amount of \$133,205.00. This is attributable to the use of a portion of unrestricted fund balance from December 31, 2011 to fund the legally adopted budget for 2012.

**Capital Assets**

The Gloucester Township Fire District No. 2's investment in capital assets for its governmental activities as of December 31, 2013 amounts to \$771,402.29 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, building improvements, vehicles and firefighting equipment. Capital assets were acquired in the amount of \$42,441.50 during 2013.

The Gloucester Township Fire District No. 2's investment in capital assets for its governmental activities as of December 31, 2012 amounts to \$883,018.23 (net of accumulated depreciation). This investment in capital assets includes land, building improvements, vehicles and firefighting equipment. During 2012 capital assets acquired totaled \$65,141.43

At the end of 2013 and 2012 the Gloucester Township Fire District No. 2 had \$2,972,525.50 and \$2,936,879.05 invested in capital assets respectively. The accumulated depreciation on these items was \$2,201,123.26 as of December 31, 2013 and \$2,053,860.82 as of December 31, 2012.

Township of Gloucester Fire District No. 2  
Capital Assets  
(Net of Accumulated Depreciation)  
December 31, 2013 and 2012

	2013	2012
Land	\$ 68,627.24	\$ 68,627.24
Land Improvements	36,754.57	38,982.12
Buildings and Improvements	364,662.28	378,141.13
Vehicles and Apparatus	250,951.40	376,145.99
Equipment	50,406.80	21,121.75
	\$ 771,402.29	\$ 883,018.23

Additional information on the Gloucester Township Fire District No. 2's capital assets can be found in note 5 in the notes to financial statements.

### **Long-Term Obligations**

For the 2013 and 2012 years, the Gloucester Township Fire District No. 2 had no bonded debt.

The Gloucester Township Fire District No. 2 was obligated for compensated absences pertaining to unused sick time in the amounts of \$131,675.26 as of December 31, 2013 and \$128,619.48 as of December 31, 2012. Explanation of the District's rules and policies pertaining to compensated absences appears in notes to financial statements number 12.

Complete information pertaining to The Gloucester Township Fire District No. 2's Long-Term Obligations is explained in note to financial statements number 6.

### **Economic Factors and Next Year's Budget**

The Gloucester Township Fire District No. 2 sustains its budget through the district tax levy and other sources of revenue with the district tax levy being the primary source.

The Board of Fire Commissioners adopted the 2014 budget January 8, 2014 and the voters subsequently approved the budget at the annual fire district election held on February 15, 2014.

### **Requests for Information**

This financial report is designed to provide a general overview of the Gloucester Township Fire District No. 2's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Michael Zawojski, Administrative Clerk at Gloucester Township Fire District No. 2, 43 Somerdale Road, Blackwood, New Jersey 08012.

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**

Statement of Net Position

December 31, 2013

---

<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 507,537.48
Restricted Assets:	
Restricted Cash and Cash Equivalents	347,680.06
Capital Assets, net (Note 5)	<u>771,402.29</u>
<b>Total Assets</b>	<u><u>1,626,619.83</u></u>
<b>LIABILITIES:</b>	
Accounts Payable	63,765.91
Noncurrent Liabilities (Note 6):	
Due within One Year	11,217.20
Due beyond One Year	<u>120,458.06</u>
<b>Total Liabilities</b>	<u><u>195,441.17</u></u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	771,402.29
Restricted for:	
Capital Projects	347,680.06
Unrestricted	<u>312,096.31</u>
<b>Total Net Position</b>	<u><u>\$ 1,431,178.66</u></u>

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

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**

Statement of Activities  
For the Year Ended December 31, 2013

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Expenses:	
Operating Appropriations:	
Administration	\$ 331,116.27
Cost of Operations and Maintenance	1,344,262.71
Operating Appropriations Offset with Revenues	<u>33,645.80</u>
Total Program Expenses	<u>1,709,024.78</u>
Program Revenues:	
Charges for Services	34,799.39
Operating Grants and Contributions	<u>7,473.44</u>
Net Program Expenses	<u>1,666,751.95</u>
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	1,632,130.00
Miscellaneous Income	<u>2,910.39</u>
Total General Revenues	<u>1,635,040.39</u>
Increase (Decrease) in Net Position	(31,711.56)
Net Position, January 1	<u>1,462,890.22</u>
Net Position, December 31	<u><u>\$ 1,431,178.66</u></u>

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

## **FUND FINANCIAL STATEMENTS**

## TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2

Balance Sheet  
 Governmental Funds  
 December 31, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and Cash Equivalents	\$ 507,537.48		\$ 347,680.06		\$ 855,217.54
Total Assets	<u>\$ 507,537.48</u>	<u>-</u>	<u>\$ 347,680.06</u>	<u>-</u>	<u>\$ 855,217.54</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 49,778.92				\$ 49,778.92
Payroll Deductions Payable	13,986.99				13,986.99
Total Liabilities	<u>63,765.91</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,765.91</u>
Fund Balances:					
Restricted:					
Future Capital Outlay			\$ 347,680.06		347,680.06
Assigned:					
Other Purposes	32,092.67				32,092.67
Subsequent Year's Expenditures	119,142.00				119,142.00
Unassigned:					
General Fund	292,536.90				292,536.90
Total Fund Balances	<u>443,771.57</u>	<u>-</u>	<u>347,680.06</u>	<u>-</u>	<u>791,451.63</u>
Total Liabilities and Fund Balances	<u>\$ 507,537.48</u>	<u>-</u>	<u>\$ 347,680.06</u>	<u>-</u>	

(Continued)



## TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2

Balance Sheet  
 Governmental Funds  
 December 31, 2013

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,972,525.55 and the accumulated depreciation is \$2,201,123.26.

Total  
 Governmental  
Funds

\$ 771,402.29

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.

(131,675.26)

Net position of governmental activities

\$ 1,431,178.66

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

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>					
Miscellaneous Anticipated Revenues	\$ 604.55				\$ 604.55
Operating Grant Revenue	7,473.44				7,473.44
Miscellaneous Revenues Offset with Appropriations	34,799.39				34,799.39
Amount to be Raised by Taxation to Support the District Budget	1,632,130.00				1,632,130.00
Non-Budgetary Revenues	2,305.84				2,305.84
<b>Total Revenues</b>	<b>1,677,313.22</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,677,313.22</b>
<b>EXPENDITURES:</b>					
<b>Operating Appropriations:</b>					
Administration	332,523.39				332,523.39
Cost of Operations and Maintenance	1,221,037.33				1,221,037.33
Operating Appropriations Offset with Revenues	33,645.80				33,645.80
Capital Appropriations	50,000.00				50,000.00
<b>Total Expenditures</b>	<b>1,637,206.52</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,637,206.52</b>
Excess (Deficiency) of Revenues over Expenditures	40,106.70	-	-	-	40,106.70
<b>OTHER FINANCING SOURCES (USES):</b>					
Refund of Prior Year Expenditure	5,665.96				5,665.96
Prior Year Accounts Payable	(12,812.50)				(12,812.50)
Operating Transfers In (Out)			\$ 50,000.00		50,000.00
<b>Total Other Financing Sources and Uses</b>	<b>(7,146.54)</b>	<b>-</b>	<b>50,000.00</b>	<b>-</b>	<b>42,853.46</b>
<b>Net Change in Fund Balances</b>	<b>32,960.16</b>	<b>-</b>	<b>50,000.00</b>	<b>-</b>	<b>82,960.16</b>
Fund Balance, January 1	410,811.41	-	297,680.06	-	708,491.47
<b>Fund Balance, December 31</b>	<b>\$ 443,771.57</b>	<b>-</b>	<b>\$ 347,680.06</b>	<b>-</b>	<b>\$ 791,451.63</b>

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

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended December 31, 2013

Total Net Change in Fund Balances - Governmental Funds	\$	82,960.16
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	\$	(154,057.44)
Capital Outlays included in Cost of Operations (B-2)		<u>42,441.50</u>
		(111,615.94)
measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		
		<u>(3,055.78)</u>
Change in Net Position of Governmental Activities	\$	<u><u>(31,711.56)</u></u>

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

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**

Notes to Financial Statements  
For the Year Ended December 31, 2013

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**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of the Reporting Entity** - The Township of Gloucester Fire District No. 2 of (the "Fire District") is a political subdivision of the Township of Gloucester, Camden County, New Jersey. The Fire District was formed in January of 1957 through the adoption of a Township ordinance. A board of five commissioners oversees all operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of every February.

Fire Districts are governed by N.J.S.A. 40A:14-70 et al. and are organized as a taxing authority charged with the responsibility of providing the resources necessary to provide fire fighting services to the residents within its territorial location. The Fire District has one fire company within its jurisdiction, the Chews Landing Fire Company.

**Component Units** - GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, provide guidance that all entities associated with a primary government are potential component units, and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statements No. 14 and No. 39. In addition, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, provides additional guidance for organizations that do not meet the financial accountability criteria for inclusion as component units but that nevertheless should be included because the primary government's management determines that it would be misleading to exclude them. As of December 31, 2013, it has been determined by the Fire District that no component units exist.

**Basis of Presentation** - The financial statements of the Fire District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Fire District's accounting policies are described in this note.

The Fire District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**Government-wide Financial Statements** - The statement of net position and the statement of activities display information about the Fire District as a whole. These statements include the financial activities of the government. The statement of net position presents the financial condition of the governmental activities of the Fire District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Fire District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. The policy of the Fire District is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Fire District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Fire District.

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

**Fund Financial Statements** - During the year, the Fire District segregates transactions related to certain Fire District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Fire District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a single column. The Fire District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. For the Fire District, only one category of funds exists, that being governmental.

**Governmental Funds** - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Fire District's major governmental funds:

**General Fund** - The general fund is the general operating fund of the Fire District and is used to account for the inflows and outflows of its 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 and report the proceeds of specific revenue sources, such as state or federal government grants, that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

**Debt Service Fund** - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**Measurement Focus**

**Government-wide Financial Statements** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflow of resources, liabilities, and deferred inflows of resources associated with the operation of the Fire District are included on the statement of net position.

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

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

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

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

Non-exchange transactions, in which the Fire District receives value without directly giving equal value in return, include Ad Valorem (property) taxes, grants, entitlements, and donations. Ad Valorem (property) taxes are susceptible to accrual, as under New Jersey State Statute, a municipality is required to remit to its fire district the entire balance of taxes in the amount voted upon or certified, prior to the end of the fire district year. The Fire District records the entire approved tax levy as revenue (accrued) at the start of the year since the revenue is both measurable and available. The Fire District is entitled to receive moneys under the following established payment schedule: on or before April 1, an amount equaling 21.25% of all moneys assessed; on or before July 1, an amount equaling 22.5% of all moneys assessed; on or before October 1, an amount equaling 25% of all moneys assessed; and on or before December 31, an amount equaling the difference between the total of all moneys so assessed and the total amount of moneys previously paid over. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Fire District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Fire District on a reimbursement basis.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: grants, fees, and rentals.

**Expenses / Expenditures** - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**Budgets / Budgetary Control** - The Fire District must adopt an annual budget in accordance with N.J.S.A. 40A:14-78.1 et al.

The fire commissioners must introduce and approve the annual budget not later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the Fire District. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the fire commissioners may, by majority vote, adopt the budget.

Amendments may be made to the Fire District budget in accordance with N.J.S.A. 40A:14-78.3. The budget may not be amended subsequent to its final adoption and approval, except for provisions allowed by N.J.S.A. 40A:14-78.5.

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

**Budgets / Budgetary Control (Cont'd)** - Subsequent to the adoption of the Fire District budget, the amount of money to be raised by taxation in support of the Fire District budget must appear on the ballot for the annual election for approval of the legal voters.

Fire districts have a prescribed budgetary basis to demonstrate legal compliance. However, budgets are adopted on principally the same basis of accounting utilized for the preparation of the Fire District's basic fund financial statements.

Amounts reported under "final budget" on exhibits C-1 and I-3 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. Encumbrances are a component of fund balance at year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. Open encumbrances in the governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included with committed or assigned fund balance, as appropriate.

Open encumbrances in the special revenue fund, however, for which the Fire District has received advances of grant awards, and all eligibility and time requirements satisfied are reflected on the balance sheet as unearned grant revenue at year end.

The encumbered appropriation authority carries over into the next year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current year end.

**Cash, Cash Equivalents and Investments** - Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey governments are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 40A:5-15.1 provides a list of permissible investments that may be purchased by New Jersey governments.

Additionally, the Fire District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. The Act was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

**Cash, Cash Equivalents and Investments (Cont'd)** - N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include State or federally chartered banks, savings banks or associations located in the State of New Jersey, or state or federally chartered banks, savings banks or associations located in another state with a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

**Inventories** - Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in governmental fund types is recorded as expenditures when purchased rather than when consumed.

Inventories recorded on the government-wide financial statements are recorded as expenditures when consumed rather than when purchased. At December 31, 2013, no inventories existed.

**Prepaid Expenses** - Prepaid expenses recorded in the governmental fund types, which benefit future periods, are recorded as an expenditure during the year of purchase. Prepaid expenses recorded on the government-wide financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2013. At December 31, 2013, no prepaid expenses existed.

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

**Capital Assets** - General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Fire District maintains a capitalization threshold of \$5,000.00. The Fire District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10-20 Years
Buildings and Improvements	10-50 Years
Furniture and Equipment	5-20 Years
Vehicles	5-10 Years



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

**Capital Assets (Cont'd)** - 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 of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000.00 or two percent (2%) of the assessed valuation of property, whichever is larger.

**Deferred Loss on Refunding** - Deferred loss on refunding arising from the issuance of the refunding general obligation bonds is recorded as a deferred outflow of resources. It is amortized in a systematic and rational manner over the duration of the related debt as a component of interest expense.

**Unearned Revenue** - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Fire District is eligible to realize the revenue.

**Accrued Liabilities and Long-Term Obligations** - All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

**Bond Discount and Bond Premium** - Bond discount and bond premium arising from the issuance of the general obligation bonds are recorded as liabilities. They are amortized in a systematic and rational manner over the duration of the related debt as a component of interest expense. Bond discount and bond premium are presented as an adjustment of the face amount on the bonds. At December 31, 2013, no bond discounts (premiums) exist.

**Compensated Absences** - Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Fire District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Fire District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid with expendable available financial resources.

**Net Position** - Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

**Net investment in capital assets** - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

**Restricted** - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Fire District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Net Position** -

**Unrestricted** - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

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

**Fund Balance** - The Fire District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the Fire District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Fire District's classifications, and policies for determining such classifications, are as follows:

**Nonspendable** - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

**Restricted** - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

**Committed** - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Fire District's highest level of decision-making authority, which, for the Fire District, is the Board of Commissioners. Such formal action consists of an affirmative vote by the Board of Commissioners, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Commissioners removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

**Assigned** - The assigned fund balance classification includes amounts that are constrained by the Fire District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Commissioners or by the Administrative Clerk, to which the Board of Commissioners has delegated the authority to assign amounts to be used for specific purposes. Such authority of the Administrative Clerk is established by way of a formal job description for the position, approved by the Board of Commissioners.

**Unassigned** - The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the Fire District to spend restricted fund balances first. Moreover, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the Fire District to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

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

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

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 2: CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk Related to Deposits** - Custodial credit risk is the risk that, in the event of a bank failure, the Fire District's deposits might not be recovered. Although the Fire District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Fire District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Fire District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized. As of December 31, 2013, none of the Fire District's bank balances of \$894,346.72 were exposed to custodial credit risk.

**Note 3: PROPERTY TAX LEVIES**

Following is a tabulation of Fire District assessed valuations, tax levies and property tax rates per \$100.00 of assessed valuations for the current and preceding four years:

<u>Year</u>	<u>Assessed Valuation</u>	<u>Total Tax Levy</u>	<u>Tax Rate</u>
2013	\$ 1,203,013,400.00	\$ 1,632,130.00	\$ .136
2012	1,214,584,800.00	1,632,130.00	.135
2011	1,221,294,099.00	1,632,130.00	.134
2010	1,226,508,750.00	1,632,130.00	.134 *
2009	666,591,583.00	1,567,635.00	.236
*Revaluation			

**Note 4: ACCOUNTS RECEIVABLE**

As of December 31, 2013 the Fire District had no receivables.

**Note 5: CAPITAL ASSETS**

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

	<u>Balance Jan. 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance Dec. 31, 2013</u>
Land	\$ 68,627.24			\$ 68,627.24
Total Capital Assets not being Depreciated	68,627.24	-	-	68,627.24
Land Improvements	44,551.00			44,551.00
Buildings and Improvements	463,384.74			463,384.74
Vehicles and Apparatus	2,183,568.47			2,183,568.47
Equipment	176,747.60	\$ 42,441.50	\$ 6,795.00	212,394.10
Total Capital Assets being Depreciated	2,868,251.81	42,441.50	6,795.00	2,903,898.31
Less Accumulated Depreciation:				
Land Improvements	(5,568.88)	(2,227.55)		(7,796.43)
Buildings and Improvements	(85,243.61)	(13,478.85)		(98,722.46)
Vehicles and Apparatus	(1,807,422.48)	(125,194.59)		(1,932,617.07)
Equipment	(155,625.85)	(13,156.45)	(6,795.00)	(161,987.30)
Total Accumulated Depreciation	(2,053,860.82)	(154,057.44) *	(6,795.00)	(2,201,123.26)
Total Capital Assets being Depreciated, net of Accumulated Depreciation	814,390.99	(111,615.94)	-	702,775.05
Capital Assets, net	<u>\$ 883,018.23</u>	<u>\$ (111,615.94)</u>	<u>-</u>	<u>\$ 771,402.29</u>

\* Depreciation expense was charged to governmental functions as follows:

Cost of Operations and Maintenance	<u>\$ 154,057.44</u>
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**Note 6: LONG-TERM OBLIGATIONS**

During the year ended December 31, 2013, the following changes occurred in long-term obligations:

	<u>Principal Outstanding Jan. 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Principal Outstanding Dec. 31, 2013</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 128,619.48	\$ 3,055.78		\$ 131,675.26	\$ 11,217.20
Total Governmental Activities Long-term Liabilities	<u>\$ 128,619.48</u>	<u>\$ 3,055.78</u>	<u>\$ -</u>	<u>\$ 131,675.26</u>	<u>\$ 11,217.20</u>

**Compensated Absences** - Compensated absences will be paid from the fund from which the employees' salaries are paid.

**Note 7: OPERATING LEASES**

At December 31, 2013, the Fire District had an operating lease agreement in effect for the rental of the Chews Landing Fire Company Building. Rental payments under operating leases for the year ended December 31, 2013 were \$68,250.00.

**Note 8: PENSION PLANS**

The Fire District contributes to two cost-sharing multiple-employer defined benefit pension plans, the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), which are administered by the New Jersey Division of Pensions and Benefits. In addition, Fire District employees can participate in the Defined Contribution Retirement Program (DCRP), which is a defined contribution pension plan and is also administered by the New Jersey Division of Pension and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey  
Division of Pensions and Benefits  
P.O. Box 295  
Trenton, New Jersey 08625-0295

**Public Employees' Retirement System** - The PERS was established in 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5.0% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, effective October 1, 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase will be phased-in over seven years beginning on July 1, 2012. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

**Police and Firemen's Retirement System** - The PFRS was established in 1944. The PFRS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:16A and 43:3B. The contribution requirements of plan members are determined by State statute. In accordance with Chapter 204, P.L. 1989, plan members enrolled in the Police and Firemen's Retirement System are required to contribute 8.5% of their annual covered salary. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased to 10.0% in October, 2011. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

**Note 8: PENSION PLANS (CONT'D)**

**Pension Contributions** - The Fire District is billed annually for its normal contribution plus any accrued liability. These contributions, equal to the required contributions, were as follows:

<b><u>Public Employees Retirement System</u></b>					
<u>Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Non-Contributory Group Life Insurance</u>	<u>Funded by Fire District</u>
2013	\$ 2,340.00	\$ 6,019.00	\$ 8,359.00	\$ 472.00	\$ 8,831.00
2012	2,617.00	5,654.00	8,271.00	500.00	8,771.00
2011	2,969.00	4,731.00	7,700.00	585.00	8,285.00

<b><u>Police and Firemen's Retirement System</u></b>					
<u>Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Non-Contributory Group Life Insurance</u>	<u>Funded by Fire District</u>
2013	\$ 36,879.00	\$ 52,145.86	\$ 89,024.86	\$ 3,549.00	\$ 92,573.86
2012	37,398.00	35,205.00	72,603.00	2,941.00	72,603.00
2011	36,411.00	23,988.00	60,399.00	3,279.00	60,399.00

**Related Party Investments** - The Division of Pensions and Benefits does not invest in securities issued by the Fire District.

**Defined Contribution Retirement Program** - The Defined Contribution Retirement Program (DCRP) is a cost-sharing multiple-employer defined contribution pension fund which was established in 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.) and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Fire District's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period. As of December 31, 2013, the Fire District had no employees participating in the program.

**Note 9: OTHER POST EMPLOYMENT BENEFITS**

**Plan Description** - The Fire District contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan, administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

**Note 9: OTHER POST EMPLOYMENT BENEFITS (CONT'D)**

**Plan Description (Cont'd)** - The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 1986, the Fire District authorized participation in the SHBP's post-retirement benefit program through the approval of the employment contracts through resolution number 1986-15. The Fire District provides postemployment health care benefits, at its cost, to all Fire District retirees who at the date of retirement have not less than twenty-five (25) years of service credit in a state locally administered retirement system and have served at least twenty (20) years as an employee of the Township of Gloucester Fire District No. 2. Benefits provided include health insurance and prescription coverage for retirees and their dependents only during the retired employees' life.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at [www.state.nj.us/treasury/pensions/](http://www.state.nj.us/treasury/pensions/).

**Funding Policy** - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Fire District on a monthly basis. The Fire District funds these benefits on a pay-as-you-go basis and, therefore, does not record accrued expenses related to these benefits.

The Fire District's contributions to the SHBP for the years ended December 31, 2013, 2012 and 2011, were \$30,202.56, \$50,874.96 and \$46,040.88, respectively, which equaled the required contributions for each year. There was one retired participant receiving benefits in 2013 and two retired participants receiving benefits in 2012 and 2011.

**Note 10: RISK MANAGEMENT**

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

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

**New Jersey Unemployment Compensation Insurance** - The Fire District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contribution Method". Under this method, a contribution rate is established annually for the Fire District's share of unemployment tax. The rate is based on cost experience for all government employees.

**Note 11: DEFERRED COMPENSATION**

The Fire District offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Fire District or its creditors. Since the Fire District does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Fire District's financial statements.

**Note 12: COMPENSATED ABSENCES**

The Fire District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

The Administrator is entitled to twelve sick days a year. Sick days not used may be carried forward. Payment will be made for a maximum of twenty five unused sick days upon retirement based upon retirement rate. There is no accumulation of annual vacation leave from year to year. Vacation leave not used within the current year can be reimbursed monetarily up to two weeks.

All full-time fire fighters are entitled to thirteen sick days per year. Sick leave hours may be carried forward with-out limitation. Payment for the accumulated sick leave is based upon a stipulated cap as stated in the employees' contractual agreement. Vacation days not used during the year may be carried forward for up to one year. Upon retirement accumulated sick and vacation days will be paid based upon retirement rate. For employees hired before January 1, 1989, payment will be made for the amount of unused sick leave capped at the amount of sick leave accrued on the books as of March 1, 2011. If hired after January 1, 1989, there shall be a maximum compensation of \$15,000.00.

Part-time employees are not compensated for absences.

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. As of December 31, 2013, the liability for compensated absences in the governmental fund types was \$131,675.26.

**Note 13: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

As of and for the year ended December 31, 2013, no interfund receivables or payables, or transfers among funds, existed. In addition, the general fund transferred \$50,000.00 to the capital projects fund to reserve for future capital outlay in accordance with the 2013 adopted budget.

**Note 14: FUND BALANCES APPROPRIATED - GENERAL FUND**

The 2014 annual budget of the Fire District was adopted on January 8, 2014, and subsequently approved by the voters at the annual election held on February 15, 2014. The adopted budget utilized \$119,142.00 of fund balance in the general fund.

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

<u>Year</u>	<u>Balance Dec. 31</u>	<u>Utilization in Subsequent Budget</u>
2013	\$ 443,771.57	\$ 119,142.00
2012	410,811.41	37,823.00
2011	413,792.63	133,205.00
2010	557,420.57	216,192.00
2009	409,789.13	35,000.00



**Note 15: FUND BALANCES****RESTRICTED**

As stated in note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the Fire District's fund balance are summarized as follows:

**Capital Projects Fund -**

**For Future Capital Outlays** - These funds are restricted for future capital expenditures to be made in future years. When the Fire District desires to utilize these funds in their annual budget, a capital resolution must be passed by the Board of Fire Commissioners prior to any expenditure against a capital appropriation. As of December 31, 2013, the balance is \$347,680.06

**ASSIGNED**

As stated in note 1, the assigned fund balance classification includes amounts that are constrained by the Fire District's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the Fire District's fund balance are summarized as follows:

**General Fund -**

**Other Purposes** - As of December 31, 2013, the Fire District had \$32,092.67 of encumbrances outstanding for purchase orders and contracts signed by Fire District, but not completed, as of the close of the year.

**For Subsequent Year's Expenditures** - The Fire District has appropriated and included as anticipated revenue for the year ending December 31, 2014, \$119,142.00 of general fund balance at December 31, 2013.

**UNASSIGNED**

As stated in note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The Fire District's unassigned fund balance is summarized as follows:

**General Fund** - As of December 31, 2013, \$292,536.90 of general fund balance was unassigned.

**Note 16: ACCOUNTING STANDARDS PRONOUNCEMENT TO BE IMPLEMENTED IN FUTURE PERIODS**

Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* was issued in June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

This Statement is effective for fiscal years beginning after June 15, 2014.

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended December 31, 2013

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
<b>REVENUES:</b>					
Miscellaneous Anticipated Revenues:					
Interest on Investments and Deposits	\$ 800.00		\$ 800.00	\$ 604.55	\$ (195.45)
Other Revenues	<u>10,000.00</u>		<u>10,000.00</u>		<u>(10,000.00)</u>
Total Miscellaneous Anticipated Revenues	<u>10,800.00</u>	<u>-</u>	<u>10,800.00</u>	<u>604.55</u>	<u>(10,195.45)</u>
Operating Grant Revenue:					
Supplemental Fire Services Grant (P.L. 1985, Ch. 295)	<u>5,827.00</u>	<u>-</u>	<u>5,827.00</u>	<u>7,473.44</u>	<u>1,646.44</u>
Miscellaneous Revenues Offset with Appropriations					
Uniform Fire Safety Act (P.L. 1983, Ch. 383):					
Annual Registration Fees	6,000.00		6,000.00	11,996.39	5,996.39
Penalties and Fines	1,000.00		1,000.00	536.50	(463.50)
Other Revenues	<u>25,000.00</u>		<u>25,000.00</u>	<u>22,266.50</u>	<u>(2,733.50)</u>
Total Miscellaneous Revenues Offset with Appropriations	<u>32,000.00</u>	<u>-</u>	<u>32,000.00</u>	<u>34,799.39</u>	<u>2,799.39</u>
Amount to be Raised by Taxation to Support the District Budget	<u>1,632,130.00</u>	<u>-</u>	<u>1,632,130.00</u>	<u>1,632,130.00</u>	<u>-</u>
Total Anticipated Revenues	<u>1,680,757.00</u>	<u>-</u>	<u>1,680,757.00</u>	<u>1,675,007.38</u>	<u>(5,749.62)</u>
Non-Budgetary Revenues:					
Miscellaneous				<u>2,305.84</u>	<u>2,305.84</u>
Total Non-Budgetary Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,305.84</u>	<u>2,305.84</u>
Total Revenues	<u>1,680,757.00</u>	<u>-</u>	<u>1,680,757.00</u>	<u>1,677,313.22</u>	<u>(3,443.78)</u>

(Continued)

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**

Budgetary Comparison Schedule

General Fund

For the Year Ended December 31, 2013

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
<b>EXPENDITURES:</b>					
Operating Appropriations:					
Administration:					
Salary and Wages:					
Commissioners	\$ 22,000.00		\$ 22,000.00	\$ 22,000.00	
Administrative Clerk/Firefighter	93,817.35	\$ 1,794.65	95,612.00	95,612.00	
Administrator	82,764.88	1,589.92	84,354.80	84,354.80	
Fire Prevention Clerk	4,822.25	(2,989.13)	1,833.12	1,833.12	
Overtime and Substitutes	8,000.00	3,911.90	11,911.90	11,911.90	
Chiefs Program	2,500.00	(1,958.80)	541.20	541.20	
Fringe Benefits	61,135.08	719.64	61,854.72	60,804.40	\$ 1,050.32
Other Expenses:					
Election	1,300.00		1,300.00	1,210.03	89.97
Subscriptions	500.00	92.00	592.00	547.00	45.00
Office Expenses	24,000.00	2,490.69	26,490.69	26,462.74	27.95
Professional Services	29,550.00	3,003.75	32,553.75	26,821.45	5,732.30
Miscellaneous	1,001.00		1,001.00	424.75	576.25
<b>Total Administration</b>	<b>331,390.56</b>	<b>8,654.62</b>	<b>340,045.18</b>	<b>332,523.39</b>	<b>7,521.79</b>
Cost of Operations and Maintenance:					
Salary and Wages:					
Fire Official Funded by Taxation	54,253.00		54,253.00	54,253.00	
Firefighter (1995)	75,526.27	1,450.93	76,977.20	76,977.20	
Firefighter (2002)	74,820.42	1,435.98	76,256.40	76,256.40	
Firefighter (2008)	60,802.81	1,280.39	62,083.20	62,083.20	
Overtime and Substitutes	27,200.00	14,556.10	41,756.10	41,746.10	10.00
Chiefs Program	29,279.00	(23,477.43)	5,801.57	5,801.57	
Fringe Benefits	315,992.61	14,748.11	330,740.72	325,432.06	5,308.66

(Continued)

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended December 31, 2013

	Original Budget	Budget Modifications / Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONT'D):					
Operating Appropriations (Cont'd):					
Cost of Operations and Maintenance (Cont'd):					
Other Expenses:					
Supplemental Fire Services Grant Expenditures	\$ 5,827.08	\$ 1,365.92	\$ 7,193.00	\$ 7,193.00	
Fire Prevention - Promotion	21,000.00		21,000.00	21,000.00	
Advertising	1,000.00		1,000.00	642.51	\$ 357.49
Insurance	53,000.00	(19,321.77)	33,678.23	33,678.23	
Maintenance and Repairs - Buildings and Grounds	205,171.99	(13,828.25)	191,343.74	146,882.30	44,461.44
Rental Charges	183,250.00	(6,607.36)	176,642.64	176,642.64	
Supplies	18,000.00		18,000.00	12,545.66	5,454.34
Training and Education	23,100.00	(1,023.74)	22,076.26	18,549.67	3,526.59
Uniforms	17,722.00		17,722.00	15,756.08	1,965.92
Utilities	54,200.00	4,120.70	58,320.70	57,707.44	613.26
Reimbursements / Incentive Program	15,000.00	15,000.00	30,000.00	30,000.00	
Other Assets - Non-Bondable					
Fire Equipment	55,795.00		55,795.00	54,650.23	1,144.77
Grant Match	10,000.00		10,000.00		10,000.00
Radios	4,250.00		4,250.00	3,240.04	1,009.96
	<u>1,305,190.18</u>	<u>(10,300.42)</u>	<u>1,294,889.76</u>	<u>1,221,037.33</u>	<u>73,852.43</u>
Total Cost of Operations and Maintenance					
Operating Appropriations Offset with Revenues:					
Fire Official Funded by FSA	31,000.00	1,645.80	32,645.80	32,645.80	
Other Expenses	1,000.00		1,000.00	1,000.00	
	<u>32,000.00</u>	<u>1,645.80</u>	<u>33,645.80</u>	<u>33,645.80</u>	<u>-</u>
Total Operating Appropriations Offset with Revenues					

(Continued)

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended December 31, 2013

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
<b>EXPENDITURES (CONT'D):</b>					
Capital Appropriations:					
Reserve for Future Capital Outlays	\$ 50,000.00		\$ 50,000.00	\$ 50,000.00	
Total Capital Appropriations	50,000.00	-	50,000.00	50,000.00	-
Total Expenditures	1,718,580.74	-	1,718,580.74	1,637,206.52	\$ 81,374.22
Excess (Deficiency) of Revenues Over (Under) Expenditures	(37,823.74)	-	(37,823.74)	40,106.70	77,930.44
Other Financing Sources (Uses):					
Refund of Prior Year Expenditure				5,665.96	
Prior Year Accounts Payable				(12,812.50)	
Total Other Financing Sources (Uses)	-	-	-	(7,146.54)	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (37,823.74)</u>	<u>-</u>	<u>\$ (37,823.74)</u>	32,960.16	<u>\$ 77,930.44</u>
Fund Balance, Beginning				410,811.41	
Fund Balance, Ending				<u>\$ 443,771.57</u>	
Recapitulation:					
Assigned:					
Year End Encumbrances				\$ 32,092.67	
Subsequent Year's Expenditures				119,142.00	
Unassigned				292,536.90	
				<u>\$ 443,771.57</u>	

## **BUDGETARY COMPARISON SCHEDULES**



**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 Note to RSI  
 For the Year Ended December 31, 2013

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources / Inflows of Resources:</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule.	\$ 1,677,313.22	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	\$ 1,677,313.22	-
<b>Uses / Outflows of Resources:</b>		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	\$ 1,637,206.52	
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	\$ 1,637,206.52	-

## **SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
Schedule of Findings and Recommendations  
For the Year Ended December 31, 2013

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***Schedule of Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Finding No. 2013-1**

**Criteria or Specific Requirement**

In accordance with N.J.S.A. 40A:5-16, a governing body of any local unit shall not pay out any of its moneys without first obtaining a claimant certification from the vendor. In accordance with Local Public Contracts Law 40A:11-1 et seq., all purchases made in excess of the \$17,500.00 bid threshold should conform to the formal bid process as outlined in the statute.

**Condition**

Our audit of expenditures disclosed that the claimant certifications for several purchases were not obtained prior to making payment. A contract awarded over the bid threshold did not conform to the following bid procedures;

- Request for bids was not advertised
- Bids received were not documented in the minutes
- Contract was not awarded to lowest bidder
- Contract was awarded with no regard to the No Bid Monday or Holiday rule
- Contract did not have a Certificate of Availability of Funds
- Proper Bid Documents were not on file

**Context**

The vouchers in support of several purchases made during the year did not have the claimant's signature. A contract over the bid threshold was awarded without following the formal bid process.

**Effect**

The Fire District has not complied with N.J.S.A. 40A:5-16 or Local Public Contracts Law 40A:11-1 et seq.

**Cause**

A failure to follow rules promulgated by New Jersey Statutes.

**Recommendation**

That a claimant certification be obtained from the vendor before making payments on any purchases, and that formal bidding procedures be followed for all contracts awarded over the bid threshold.

**View of Responsible Officials and Planned Corrective Action**

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 2**  
Summary Schedule of Prior Year Audit Findings  
And Recommendations as Prepared by Management

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This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

**Finding No. 2012-1**

**Condition**

Our audit of expenditures disclosed that the claimant certifications for several purchases were not obtained prior to making payment.

**Current Status**

The condition remains unchanged. (See Finding No. 2013-1)

**Planned Corrective Action**

The responsible Officials will address the matter as part of their corrective action plan.

**APPRECIATION**

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bowman & Company", written in a cursive style.

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

