

FIRE DISTRICT NO. 1
TOWNSHIP OF GLOUCESTER, NEW JERSEY
REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2012

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FIRE DISTRICT NO. 1
TOWNSHIP OF GLOUCESTER, NEW JERSEY
Roster of Officials and Surety Bonds

Board of Commissioners

Philip Knast	Chairman	\$10,000.00 (A)
Gary Emmett	Treasurer	10,000.00 (A)
Woodrow Minner	Secretary	10,000.00 (A)
John Atkinson	Clerk	10,000.00 (A)
Howard Brooks	In Charge of Inventory and Insurance	10,000.00 (A)

(A) American Alternative Insurance Corporation provides a blanket position bond for a limited amount of \$10,000.00.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District No. 1
Township of Gloucester
Glendora, New Jersey 08029

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. 1, in the County of Camden, State of New Jersey, as of and for the year ended December 31, 2012, 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. 1, in the County of Camden, State of New Jersey as of December 31, 2012, 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 of the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

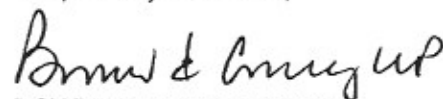
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Gloucester Fire District No. 1's basic financial statements. The related major fund supporting statements and schedules listed in the table of contents are presented for 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 April 16, 2013 on our consideration of the Township of Gloucester Fire District No. 1'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. 1's internal control over financial reporting and compliance.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

**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. 1
Township of Gloucester
Gloucester New Jersey 08029

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. 1, in the County of Camden, State of New Jersey, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Fire District's basic financial statements, and have issued our report thereon dated April 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township of Gloucester Fire District No. 1'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. 1'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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Gloucester Fire District No. 1'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 no instances of noncompliance or other matters that are required to be reported under 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.

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
April 16, 2013

REQUIRED SUPPLEMENTARY INFORMATION
PART I

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

As management of the Township of Gloucester Fire District No. 1 (the "Fire District"), we offer readers of the Fire District's financial statements this narrative overview and analysis of the financial activities of the Fire District for the year ended December 31, 2012. The intent of this discussion and analysis is to look at the Fire District's financial performance as a whole; readers should also review the information furnished in the notes to the basic financial statements and financial statements to enhance their understanding of the Fire District's financial performance.

Financial Highlights

- The assets of the Fire District exceeded its liabilities at the close of the most recent year by \$567,002.92 (net position).
- As of the close of the current year, the Fire District's governmental funds reported combined ending fund balances of \$372,886.11, an increase of \$62,086.72 in comparison with the prior year. The increase was attributable to the results of operations in the General Fund.
- At the end of the current year, unassigned fund balance for the general fund was \$340,001.11, approximately a 17.4 percent increase from that of the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Fire District's basic financial statements. The Fire District's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Fire District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Fire District'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 Fire District is improving or deteriorating.

The Statement of Activities presents information showing how the Fire District'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., accrued interest on capital leases).

Both of the government-wide financial statements distinguish functions of the Fire District that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Fire District include fire-fighting and emergency medical services, which are provided to the citizens of the Township of Gloucester residing within District No. 1.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Fire District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Fire District constitute one fund type, governmental funds.

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 1

Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited) (Cont'd)

Governmental Funds. All of the Fire District'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 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 Fire District's general government operations and the basic services it provides. Governmental 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 Fire District 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 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, the Fire District 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.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Fire District, assets exceeded liabilities by \$567,002.92 at the close of the most recent year.

A significant portion of the Fire District's net position (35.5 percent) reflects its investment in capital assets (i.e., fire apparatus and equipment); less any related debt used to acquire those assets that is still outstanding. The Fire District uses these assets to provide fire-fighting and emergency medical services to the citizens of the Township of Gloucester residing within District No. 1; consequently, these assets are not available for future spending. Although the Fire District'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 sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited) (Cont'd)

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 1'S NET POSITION		
DECEMBER 31,		
	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$ 383,998.88	\$ 319,608.94
Capital Assets	<u>513,069.73</u>	<u>595,303.46</u>
Total Assets	<u>897,068.61</u>	<u>914,912.40</u>
Long-term Liabilities Outstanding	282,645.17	311,940.72
Other Liabilities	<u>47,420.52</u>	<u>44,027.98</u>
Total Liabilities	<u>330,065.69</u>	<u>355,968.70</u>
Net Position:		
Net Investment in Capital Assets	201,129.01	256,445.46
Restricted	5,000.00	5,000.00
Unrestricted	<u>360,873.91</u>	<u>297,498.24</u>
Total Net Position	<u>\$ 567,002.92</u>	<u>\$ 558,943.70</u>

An additional portion of the Fire District's net position (0.88 percent) represents resources that are subject to external restrictions on how they may be used.

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 increase in governmental activities are as follows:

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 1'S STATEMENT OF ACTIVITIES		
FOR THE YEARS ENDED DECEMBER 31,		
	<u>2012</u>	<u>2011</u>
Expenses:		
Operating Appropriations:		
Administration	\$ 37,270.97	\$ 38,213.45
Cost of Operations and Maintenance	258,344.54	298,441.36
Operating Appropriations Offset with Revenues	5,854.82	6,722.02
Interest on Long-Term Debt	<u>14,034.86</u>	<u>8,301.15</u>
Total Program Expenses	<u>315,505.19</u>	<u>351,677.98</u>
Program Revenues:		
Charges for Services	25,502.90	14,830.15
Operating Grants and Contributions	<u>2,584.02</u>	<u>3,283.00</u>
Net Program Expenses	<u>287,418.27</u>	<u>333,564.83</u>

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited) (Cont'd)

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 1'S STATEMENT OF ACTIVITIES		
FOR THE YEARS ENDED DECEMBER 31,		
	<u>2012</u>	<u>2011</u>
General Revenues		
Taxes:		
Property Taxes, Levied for General Purposes	\$ 249,858.91	\$ 286,400.00
Taxes Levied for debt Service	42,241.09	
Unrestricted Investment Earnings	854.38	1,182.13
Sale of Assets		100,000.00
Miscellaneous Income	2,523.11	5,760.57
Total General Revenues	<u>295,477.49</u>	<u>393,342.70</u>
Increase in Net Position	8,059.22	59,777.87
Net Position, January 1	558,943.70	499,165.83
Net Position, December 31	<u>\$ 567,002.92</u>	<u>\$ 558,943.70</u>

Property taxes constituted 77.2% of revenues for governmental activities for the Fire District for the year 2012.

Cost of operations and maintenance comprises 81.88% of Fire District expenses, with administration comprising 11.81% of total expenses.

Financial Analysis of the Fire District's Funds

As stated earlier, the Fire District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund. The focus of the Fire District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Fire District'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.

As of the end of the current year, the Fire District's governmental funds reported combining ending fund balances of \$372,886.11, an increase of \$62,086.72 in comparison with the prior year. The increase was attributable to the results of operations in the General Fund.

Of the combined ending fund balances of \$372,886.11, 91.18% constitutes unreserved fund balance in the amount of \$340,001.11. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to fund the purchase of future capital purchases.

The general fund is the main operating fund of the Fire District. At the end of the current year, total fund balance of the general fund was \$367,886.11. Of this amount, \$27,885.00 has been designated for the subsequent year's expenditures.

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 1
 Management's Discussion and Analysis
 For the Year Ended December 31, 2012
 (Unaudited) (Cont'd)

The fund balance of the Fire District's general fund increased by \$62,086.72 during the current year. Key factors in this increase are as follows:

- There was a decrease in Insurance Rates of ~\$11,000.00.
- There was an increase in Uniform Fire Safety revenues of ~\$11,000.00.

The capital projects fund had fund balance of \$5,000.00 at the end of the current and previous year.

General Fund Budgetary Highlights

For the year 2012, the Fire District's budget, as approved by the voters, included a budgetary basis revenue estimate of \$273,583.00. The original budgeted estimate, as introduced and approved by the voters, was not amended.

During the year 2012, the Fire District budgeted \$249,100.00 and \$3,283.00 for property taxes (local tax levy) and state aid revenues (supplemental fire services grant), respectively.

The final budgetary basis expenditure appropriation estimate, \$289,685.00 was not amended and, therefore, was identical to the amount introduced and approved by the voters.

Capital Asset and Debt Administration

Capital Assets. The Fire District's investment in capital assets for its governmental activities as of December 31, 2012 amounts to \$513,069.73 (net of accumulated depreciation and related debt). This investment in capital assets includes fire apparatus and various types of equipment.

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 1'S CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION) DECEMBER 31,		
	<u>2012</u>	<u>2011</u>
Vehicles and Apparatus	\$ 421,690.13	\$ 528,744.51
Equipment	<u>91,379.60</u>	<u>66,558.95</u>
Total	<u><u>\$ 513,069.73</u></u>	<u><u>\$ 595,303.46</u></u>

Additional information on the Fire District's capital assets can be found in Note 4.

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited) (Cont'd)

Economic Factors and Next Year's Budget

For the 2012 year, the Fire District was able to sustain its budget through the township tax levy, state aid, and miscellaneous revenue sources. The 2013 budget was adopted on January 8, 2013 by the Commissioners, and the voters subsequently approved the budget at the annual fire district election held on February 16, 2013.

Requests for Information

This financial report is designed to provide a general overview of the Fire District's finances for all those with an interest in the Fire District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Gary Emmett, Treasurer at the Township of Gloucester Fire District No. 1, P.O. Box 38, Glendora, New Jersey 08029.

BASIC FINANCIAL STATEMENTS

GOVERNMENT - WIDE FINANCIAL STATEMENTS

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 1

Statement of Net Position

December 31, 2012

ASSETS:

Cash and Cash Equivalents	\$ 355,123.25
Prepaid Expenses	23,875.63
Restricted Assets:	
Restricted Cash and Cash Equivalents	5,000.00
Capital Assets, net (Note 4)	<u>513,069.73</u>
Total Assets	<u>897,068.61</u>

LIABILITIES:

Accounts Payable	11,112.77
Accrued Interest Payable	7,012.20
Noncurrent Liabilities (Note 5):	
Due within One Year	29,295.55
Due beyond One Year	<u>282,645.17</u>
Total Liabilities	<u>330,065.69</u>

NET POSITION:

Net Investment in Capital Assets	201,129.01
Restricted for:	
Capital Projects	5,000.00
Unrestricted	<u>360,873.91</u>
Total Net Position	<u>\$ 567,002.92</u>

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

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 1
Statement of Activities
For the Fiscal Year Ended December 31, 2012

Expenses:	
Operating Appropriations:	
Administration	\$ 37,270.97
Cost of Operations and Maintenance	258,344.54
Operating Appropriations Offset with Revenues	5,854.82
Interest on Capital Leases	<u>14,034.86</u>
Total Program Expenses	<u>315,505.19</u>
Program Revenues:	
Charges for Services	25,502.90
Operating Grants and Contributions	<u>2,584.02</u>
Net Program Expenses	<u>287,418.27</u>
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	249,858.91
Unrestricted Investment Earnings	854.38
Miscellaneous Income	<u>2,523.11</u>
Total General Revenues	<u>295,477.49</u>
Increase in Net Position	8,059.22
Net Position, January 1	<u>558,943.70</u>
Net Position, December 31	<u><u>\$ 567,002.92</u></u>

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

FUND FINANCIAL STATEMENTS

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 1

Balance Sheet

Governmental Funds

December 31, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 355,123.25		\$ 5,000.00		\$ 360,123.25
Prepaid Expenses	23,875.63				23,875.63
Total Assets	\$ 378,998.88	-	\$ 5,000.00	-	\$ 383,998.88
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 11,112.77				\$ 11,112.77
Total Liabilities	11,112.77	-	-	-	11,112.77
Fund Balances:					
Restricted:					
Radio Replacement			\$ 5,000.00		5,000.00
Assigned:					
Designated for Subsequent Year's Expenditures	27,885.00				27,885.00
Unassigned					
General Fund	340,001.11				340,001.11
Total Fund Balances	367,886.11	-	5,000.00	-	372,886.11
Total Liabilities and Fund Balances	\$ 378,998.88	-	\$ 5,000.00	-	(Continued)

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 1

Balance Sheet
 Governmental Funds
 December 31, 2012

	Total Governmental Funds
<p>Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$1,349,294.60 and the accumulated depreciation is \$836,224.87.</p> <p>20 Long-term liabilities, such as obligations under capital leases, are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p> <p>Accrued interest payable is not due and payable in the current period and, therefore, is not reported as liabilities in the funds.</p> <p>Net position of governmental activities</p>	<p>\$ 513,069.73</p> <p>(311,940.72)</p> <p><u>(7,012.20)</u></p> <p><u>\$ 567,002.92</u></p>

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

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 1
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Fiscal Year Ended December 31, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Miscellaneous Anticipated Revenues	\$ 854.38				\$ 854.38
Operating Grant Revenue	2,584.02				2,584.02
Miscellaneous Revenues Offset with Appropriations	25,502.90				25,502.90
Amount to be Raised by Taxation to Support the District Budget	249,858.91			\$ 42,241.09	292,100.00
Non-Budgetary Revenues	2,523.11				2,523.11
Total Revenues	281,323.32	-	-	42,241.09	323,564.41
EXPENDITURES:					
Operating Appropriations:					
Administration	37,270.97				37,270.97
Cost of Operations and Maintenance	176,110.81				176,110.81
Operating Appropriations Offset with Revenues	5,854.82			42,241.09	5,854.82
Debt Service				42,241.09	42,241.09
Total Expenditures	219,236.60	-	-	42,241.09	261,477.69
Excess (Deficiency) of Revenues over Expenditures	62,086.72	-	-	-	62,086.72
Fund Balance, January 1	305,799.39	-	\$ 5,000.00	-	310,799.39
Fund Balance, December 31	\$ 367,886.11	-	\$ 5,000.00	-	\$ 372,886.11

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

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 1
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended December 31, 2012

Total Net Change in Fund Balances - Governmental Funds	\$ 62,086.72
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	\$ (98,128.73)
· Capital Outlay	<u>15,895.00</u>
	(82,233.73)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.	26,917.28
In the statement of activities, certain operating expenses, e.g., accrued interest on leases, are 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>1,288.95</u>
Change in Net Position of Governmental Activities	<u>\$ 8,059.22</u>

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

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 1

Notes to Financial Statements
For the Year Ended December 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity – Fire District No. 1 of the Township of Gloucester (“the Fire District”) is a political subdivision of the Township of Gloucester, Camden County, New Jersey. It was formed on January, 1956. 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 firefighting services to the residents within its territorial location. Fire District No. 1 of the Township of Gloucester has one fire company within its jurisdiction, the Glendora Volunteer 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, 2012, it has been determined by the Fire District that no component units exist.

Basis of Presentation - The financial statements of the Township of Gloucester Fire District No. 1 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 fire districts, 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 its of financial resources. The acquisition of certain capital assets, such as firefighting apparatus and equipment, is accounted for in the General Fund when it is responsible for the financing of such expenditures.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenues sources, such as state or federal government grants and appropriations, which are legally restricted to expenditures for specified purposes.

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

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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, the recording of deferred 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 Exhibit C-1 and I-3 includes 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. As of December 31, 2012, no material amount of 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, 2012.

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 Assets.

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.

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

Capital Assets (Cont'd) - Depreciation is computed using the straight-line method over the following useful lives:

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

N.J.S.A. 40A:14-84 governs the procedures for the acquisition of property and equipment for Fire Districts, and N.J.S.A. 40A:14-85 to 87 governs procedures for the issuance of any debt related to such purchases. In summary, Fire Districts may purchase firefighting 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 2 percent of the assessed valuation of property, whichever is larger.

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 district-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.

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.

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.

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

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:

Non-spendable - The non-spendable 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 business manager, to which the Board of Commissioners has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business manager is established by way of 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.

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

New Accounting Standards Adopted - During the year ended December 31, 2012, the Fire District adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34

Issued in November 2010, the objective of this Statement is to improve financial reporting for a governmental financial reporting entity. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, 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, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement had no impact on the financial statements of the Fire District for the year ended December 31, 2012.

Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

Issued in June 2011, this Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

This Statement only impacted financial statement terminology as opposed to financial statement reporting for the year ended December 31, 2012.

Issued in March 2012, this Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**New Accounting Standards Adopted (Cont'd) -*****Statement No. 65, Items Previously Reported as Assets and Liabilities (Cont'd)***

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

This Statement had no impact on the financial statements of the Fire District for the year ended December 31, 2012.

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 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, bail funds, or funds that may pass to the Fire District relative to the happening of a future condition.

As of December 31, 2012, none of the Fire District's bank balances of \$360,123.25 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>
2012	\$ 377,610,800.00	\$ 292,100.00	\$.078
2011	378,638,378.00	286,400.00	.076
2010	380,462,770.00	280,800.00	.074 *
2009	198,760,991.00	270,000.00	.136
2008	198,542,950.00	260,000.00	.131

* - Revaluation

Note 4: CAPITAL ASSETS

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

	<u>Balance</u> <u>Jan. 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
Vehicles and Apparatus	\$ 1,199,504.60			\$ 1,199,504.60
Equipment	133,895.00	\$ 15,895.00		149,790.00
Total Capital Assets being Depreciated	<u>1,333,399.60</u>	<u>15,895.00</u>	<u>-</u>	<u>1,349,294.60</u>
Less Accumulated Depreciation:				
Vehicles and Apparatus	(697,269.00)	(80,545.47)		(777,814.47)
Equipment	(40,827.14)	(17,583.26)		(58,410.40)
Total Accumulated Depreciation	<u>(738,096.14)</u>	<u>(98,128.73) *</u>	<u>-</u>	<u>(836,224.87)</u>
Total Capital Assets being Depreciated, net of Accumulated Depreciation	<u>595,303.46</u>	<u>(82,233.73)</u>	<u>-</u>	<u>513,069.73</u>
Capital Assets, net	<u>\$ 595,303.46</u>	<u>\$ (82,233.73)</u>	<u>-</u>	<u>\$ 513,069.73</u>

* Depreciation expense was charged to governmental functions as follows:

Cost of Operations and Maintenance	<u>\$ 98,128.73</u>
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Note 5: LONG-TERM OBLIGATIONS

During the year ended December 31, 2012, the following changes occurred in long-term obligations:

	<u>Principal</u> <u>Outstanding</u> <u>Jan. 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Principal</u> <u>Outstanding</u> <u>Dec. 31, 2012</u>	<u>Due Within</u> <u>One Year</u>
Obligations under Capital Lease	<u>\$ 338,858.00</u>	<u>-</u>	<u>\$(26,917.28)</u>	<u>\$ 311,940.72</u>	<u>\$ 29,295.55</u>

Capital Leases Payable - The Fire District is leasing fire apparatus totaling \$338,858.00 under capital leases. All capital leases are for a term of ten years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at December 31, 2012.

Note 5: LONG-TERM OBLIGATIONS (CONT'D)

<u>Year Ending Dec. 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 29,295.55	\$ 12,945.54	\$ 42,241.09
2014	30,511.31	11,729.78	42,241.09
2015	31,777.53	10,463.56	42,241.09
2016	33,096.30	9,144.79	42,241.09
2017	34,469.80	7,771.29	42,241.09
2018-2021	152,790.23	16,174.13	168,964.36
	<u>\$ 311,940.72</u>	<u>\$ 68,229.09</u>	<u>\$ 380,169.81</u>

Note 6: 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.

Note 7: FUND BALANCES APPROPRIATED

The 2013 annual budget of the Fire District was adopted on January 8, 2013 and subsequently approved by the voters at the annual election. The budget utilized \$27,885.00 of fund balance in the General Fund.

The following presents the fund balance 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>
2012	\$ 367,886.11	\$ 27,885.00
2011	305,799.39	16,102.00
2010	234,954.24	29,252.00
2009	212,990.53	43,270.00
2008	227,824.69	74,055.00

Note 8: 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 and 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:

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, 2012, the balance is \$5,000.00.

Note 8: FUND BALANCES (CONT'D)**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:

For Subsequent Year's Expenditures - The Fire District has appropriated and included as anticipated revenue for the year ending December 31, 2013, \$27,885.00 of general fund balance at December 31, 2012.

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, 2012, \$340,001.11 of general fund balance was unassigned.

Note 9: 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 non-employer 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, non-employer 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.

Note 9: ACCOUNTING STANDARDS PRONOUNCEMENT TO BE IMPLEMENTED IN FUTURE PERIODS (CONT'D)

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

BUDGETARY COMPARISON SCHEDULES

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 1
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended December 31, 2012

REVENUES:	Original Budget	Budget Modifications / Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Miscellaneous Anticipated Revenues: Interest on Investments and Deposits	\$ 800.00		\$ 800.00	\$ 854.38	\$ 54.38
Total Miscellaneous Anticipated Revenues	800.00	-	800.00	854.38	54.38
Operating Grant Revenue: Supplemental Fire Services Grant (P.L. 1985, Ch. 295)	3,283.00	-	3,283.00	2,584.02	(698.98)
Miscellaneous Revenues Offset with Appropriations Uniform Fire Safety Act (P.L. 1983, Ch. 383): Other Revenues	20,400.00		20,400.00	25,502.90	5,102.90
Total Miscellaneous Revenues Offset with Appropriations	20,400.00	-	20,400.00	25,502.90	5,102.90
Amount to be Raised by Taxation to Support the District Budget	249,100.00	-	249,100.00	249,858.91	758.91
Total Anticipated Revenues	273,583.00	-	273,583.00	278,800.21	5,217.21
Non-Budgetary Revenues: Miscellaneous	-	-	-	2,523.11	2,523.11
Total Revenues	273,583.00	-	273,583.00	281,323.32	7,740.32
EXPENDITURES:					
Operating Appropriations: Administration: Other Expenses	1,100.00		1,100.00	777.16	322.84
Election	300.00		300.00		300.00
Insurance	650.00		650.00	408.00	242.00
Dues and Fees	2,000.00		2,000.00	1,082.25	917.75
Office Expenses	28,370.00		28,370.00	17,603.56	10,766.44
Professional Services	17,400.00		17,400.00	17,400.00	
Commissioners' Stipends					
Total Administration	49,820.00	-	49,820.00	37,270.97	12,549.03

(Continued)

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 1
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended December 31, 2012

EXPENDITURES (CONTD):	Original Budget	Budget Modifications / Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Operating Appropriations (Cont'd):					
Cost of Operations and Maintenance:					
Other Expenses:					
Insurance	\$ 23,200.00		\$ 23,200.00	9,947.12	\$ 13,252.88
Maintenance and Repairs	25,250.00		25,250.00	16,831.43	8,418.57
Supplies	600.00	(307.00)	293.00	20.00	273.00
Training	6,000.00		6,000.00	1,250.00	4,750.00
Conventions / Travel	500.00		500.00	155.87	344.13
Uniforms	4,500.00	307.00	4,807.00	4,807.00	
Utilities	2,400.00		2,400.00	1,842.89	557.11
Medical	2,000.00		2,000.00	1,249.65	750.35
Fire Hydrant	39,000.00		39,000.00	36,939.60	2,060.40
Other Outside Services	7,500.00		7,500.00	3,887.00	3,613.00
Other Rentals or Leases	45,000.00		45,000.00	45,000.00	
Supplemental Fire Services Grant	3,283.00		3,283.00	1,225.00	2,058.00
Volunteer Fringe Benefits	24,500.00		24,500.00	14,151.38	10,348.62
Special Operations Group (S.O.G. Other Expenses)	1,500.00		1,500.00	8,400.00	1,500.00
U.F.S.A. Stipends	8,400.00		8,400.00	529.63	1,220.37
U.F.S.A. Office Supplies	1,750.00		1,750.00	95.00	605.00
U.F.S.A. Dues	700.00		700.00	21.90	278.10
U.F.S.A. Equipment	300.00		300.00	123.00	127.00
U.F.S.A. Uniform	250.00		250.00		
Contingent Expenses	3,000.00		3,000.00		3,000.00
Other Assets Non-Bondable					
New Equipment	32,232.00		32,232.00	29,634.34	2,597.66
Community Involvement	500.00		500.00		500.00
Total Cost of Operations and Maintenance	232,365.00	-	232,365.00	176,110.81	56,254.19
Operating Appropriations Offset with Revenues:					
Other Expenses	7,500.00	-	7,500.00	5,854.82	1,645.18
Total Expenditures	289,685.00	-	289,685.00	219,236.60	70,448.40

(Continued)

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 1
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended December 31, 2012

	Original Budget	Budget Modifications / Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (16,102.00)	-	\$ (16,102.00)	\$ 62,086.72	\$ 78,188.72
Fund Balance, Beginning				305,799.39	
Fund Balance, Ending				\$ 367,886.11	
Recapitulation:					
Assigned				\$ 27,885.00	
Designated for Subsequent Year's Expenditures				340,001.11	
Unassigned General Fund				\$ 367,886.11	

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 1
 Required Supplementary Information
 Budgetary Comparison Schedule
 Note to RSI
 For the Fiscal Year Ended December 31, 2012

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources / Inflows of Resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule.	\$ 281,323.32	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	<u>\$ 281,323.32</u>	<u>-</u>
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	\$ 219,236.60	
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.	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 219,236.60</u>	<u>-</u>

OTHER SUPPLEMENTARY INFORMATION

LONG-TERM DEBT

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 1
 Schedule of Obligations Under Capital Leases
 For the Fiscal Year Ended December 31, 2012

<u>Description</u>	<u>Date of Lease</u>	<u>Term of Lease</u>	<u>Amount of Original Issue</u>		<u>Interest Rate Payable</u>	<u>Amount Outstanding Jan. 1, 2012 (a)</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding Dec. 31, 2012 (a)</u>
			<u>Principal</u>	<u>Interest</u>					
Ferrara Class A Rescue Pumper	05/15/11	10 years	\$ 338,858.00	\$ 83,552.90	4.15%	\$ 338,858.00	-	\$ 26,917.28	\$ 311,940.72

(a) Future Interest Payments Removed from Carrying Value of Leases.

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 1
 Budgetary Comparison Schedule
 Debt Service Fund
 For the Fiscal Year Ended December 31, 2012

	Original Budget	Budget Modifications / Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
REVENUES:					
Amount of be Raised by Taxation to Support the District Budget	\$ 43,000.00	-	\$ 43,000.00	\$ 42,241.09	\$ (758.91)
EXPENDITURES:					
Principal Payments: Capital Leases	26,917.00		26,917.00	26,917.28	(0.28)
Interest Payments: Capital Leases	16,083.00		16,083.00	15,323.81	759.19
Total Expenditures	43,000.00	-	43,000.00	42,241.09	758.91
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balance, January 1				-	
Fund Balance, December 31				-	
Recapitulation: Unreserved Fund Balance				-	

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 1
Schedule of Findings and Recommendations
For the Year Ended December 31, 2012

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.

None.

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 1
Summary Schedule of Prior Year Audit Findings
And Recommendations as Prepared by Management

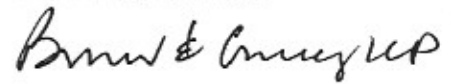
This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

None.

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 LLP".

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants