BOARD OF FIRE COMMISSIONERS

UPPER TOWNSHIP FIRE DISTRICT #1

TOWNSHIP OF UPPER, NEW JERSEY

AUDIT REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2013

BOARD OF COMMISSIONERS
UPPER TOWNSHIP FIRE DISTRICT #1

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Independent Auditor's Report

The Board of Commissioners
of Upper Township Fire District #1
Strathmere, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Board of Commissioners of Upper Township Fire District #1, 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 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the 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 entity'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 and opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Township of Upper Fire District #1, Township of Upper, New Jersey, as of December 31, 2013 and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 15, 2014 on our consideration of the Board of Commissioners of Upper Township Fire District #1, internal control over financial reporting and on 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 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 Board of Commissioners of Upper Township Fire District #1 internal control over financial reporting and compliance.

Very truly yours,

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello

Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

June 15, 2014

REQUIRED SUPPLEMENTARY INFORMATION - PART I

MANAGEMENT DISCUSSION & ANALYSIS

The discussion and analysis of Upper Township Fire District #1's financial performance provides an overall review of the Fire District's financial activities for the fiscal year ended December 31, 2013. 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 basic financial statements and notes to enhance their understanding of the Fire District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 - Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued in June 1999. Certain comparative information between the current year (2013) and the prior year (2012) is required to be presented in the MD&A.

OVERVIEW:

The Upper Township Fire District #1, hereafter referred to as the "Fire District," is a primary governmental entity located in the Township of Upper, State of New Jersey. The Fire District is run by a board of commissioners who are elected into office by the registered voters of District #1 in the Township of Upper.

The Fire District is responsible for establishing a budget and maintaining fiscal control over public funds that are used to provide for the safety and welfare of the residents located within District #1 in the Township of Upper. Under existing statute, the Fire District is exempt from both Federal and State taxes.

The accounts of the Fire District are maintained in accordance with the principles of "fund accounting." One fund, the General Fund is used to account for all revenues and expenditures applicable to the general operations of the Fire District.

Funding is acquired through property tax levies. In 2013, the total tax levy was $75,975, which corresponds to a property tax rate of 0.022 per $100 of assessed valuation.

Financial Highlights

Key financial highlights for 2013 are as follows:

- In total, net position increased $1,133.61, which represents a 3.4% increase from 2012.
- General Revenues in the form of property tax assessments accounted for $75,975.00 or 99% of the total revenues of $76,097.61.
- Total assets of governmental activities increased by $71.55 as cash and cash equivalents increased by $62.98, and prepaid expenses increased by $8.57.
- The Fire District had $74,964 in expenses. General revenues (primarily property tax assessments) were in the amount of $75,975.

Reporting the Fire District as a Whole

The Statement of Net Position and the Statement of Activities report information about the District as a whole. These statements include all assets and liabilities using the full accrual basis of accounting. All of the current year's revenues and expenses are taken into account when the revenue is earned of the expense is incurred. These two statements report the District's net position and changes in them. One can think of the District's net position, the difference between assets and liabilities, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial position is improving or deteriorating. The reader will, however, need to consider other non-financial factors, such as changes in the District's tax base, to assess the overall health of the District.

The District's activities are reported as governmental activities. The District is primarily financed through the levying of property taxes.

The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. The fund is reported using the modified accrual method 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 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 the District's programs. We describe the differences between governmental activities and governmental funds in a reconciliation detailed on Exhibit F.

The Fire District as a Whole

Recall that the Statement of Net Position provides the perspective of the Fire District as a whole. Net position may serve over time as a useful indicator of a government's financial position.

The Fire District's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table 1 provides a summary of the Fire District's net position for 2013 with a comparison to the prior year (2012).

Table 1
Net Position

	2013	2012
Assets		
Cash and Cash Equivalents	$ 33,030.28	$ 32,967.30
Prepaid Expenses	1,010.05	1,001.48
Total Assets	34,040.33	33,968.78
Liabilities		
Other Liabilities	423.87	1,485.93
Total Liabilities	423.87	1,485.93
Net Position		
Unrestricted	33,616.46	32,482.85
Total Net Position	$ 33,616.46	$ 32,482.85

The Fire District's net position was $33,616.46 on December 31, 2013. This was a $1,133.61 increase from 2012.

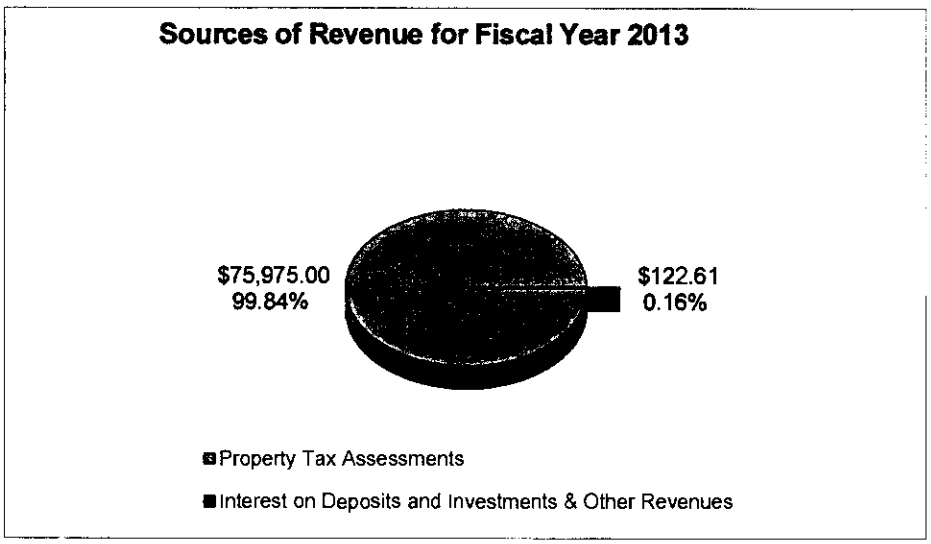
Table 2 shows changes in net position for fiscal year 2013 with comparative figures for the prior year.

Table 2
Changes in Net Position

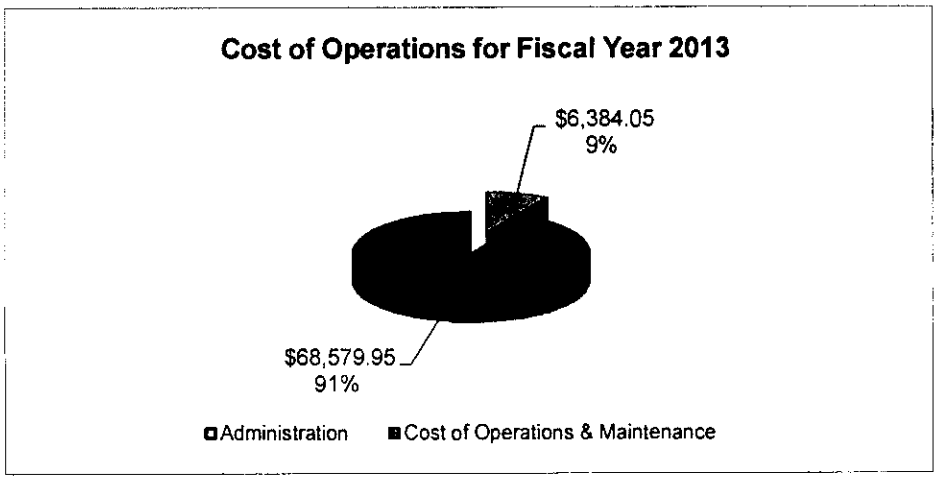
	2013	2012
Revenues		
General Revenues:		
Property Tax Assessments	$ 75,975.00	$ 74,869.00
Interest	122.61	184.03
Total Revenues	76,097.61	75,053.03
Program Expenses		
Current	74,964.00	73,080.56
Total Expenses	74,964.00	73,080.56
Excess (Deficit) of Revenue over Expenditures	$ 1,133.61	$ 1,972.47

Governmental Activities

The property tax assessments made up 99% of revenues while investment earnings and other revenues made up the remaining 1% of revenues for fiscal year 2013. The Fire District's total revenues were $76,097.61 for the year ended December 31, 2013.



The total cost of operations was $74,964.00.



Business-Type Activities

The Fire District does not have any business-type activities.

The Fire District's Funds

The governmental fund (general fund presented in the fund-based statements) is accounted for using the modified accrual basis of accounting. Total revenues amounted to $76,097.61 and expenditures were $74,964.00.

As demonstrated by the various statements and schedules included in the financial section of this report, the Fire District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended December 31, 2013, and the amount and percentage of total revenues compared to prior year revenues:

Revenue		2013 Amount	Percentage of Total		2012 Amount	Percentage of Total
Property Taxes	$	75,975.00	99.84%	$	74,869.00	99.75%
Interest on Deposits and Investments		122.61	0.16%		184.03	0.25%
Total	$	76,097.61	100.00%	$	75,053.03	100.00%

The following schedule represents a summary of general fund expenditures for the fiscal year ended December 31, 2013, and the percentage of total expenditures compared to prior year amounts.

Expenditures		2013 Amount	Percentage of Total		2012 Amount	Percentage of Total
Current Expense:						
Administration	$	6,384.05	9%	$	18,254.35	25%
Operations & Maintenance		68,579.95	91%		54,826.21	75%
Total	$	74,964.00	100%	$	73,080.56	100%

General Fund Budgeting Highlights

The Fire District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Capital Assets

At the end of the fiscal year 2013, the Fire District does not own any capital assets.

For the Future

The Upper Township Fire District #1 is in good financial condition presently.

In conclusion, the Upper Township Fire District #1 has committed itself to financial excellence for many years. The Fire District plans to continue its sound fiscal management to meet the challenges of the future.

THE ORGANIZATION:

The Fire District is governed by a five member Board of Commissioners who establishes the policies and plans to meet the current and future needs for the Fire District. The current members of the Fire District Board of Commissioners are set forth below:

Name	Position Held
Ken Weaver	Chairman
Randy Roash	Vice Chairman
Karen Mitchell	Treasurer
Donna Diefenderfer	Secretary
Steve Nickelsberg	Commissioner

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Fire District's finances and to show the Fire District's accountability for the money it receives. If you have questions about this report or need additional information, contact, Ken Weaver, Chairman of the Board of Commissioners at Township of Upper Fire District #1, P.O. Box 71, Strathmere, NJ 08248.

Exhibit A

UPPER TOWNSHIP FIRE DISTRICT #1
STATEMENT OF NET POSITION
DECEMBER 31, 2013

		Governmental Activities
ASSETS		
Cash and Cash Equivalents	$	33,030.28
Prepaid Expenses		1,010.05
Total Assets	$	34,040.33
LIABILITIES		
Accounts Payable		423.87
Total Liabilities		423.87
NET POSITION		
Invested in capital assets, net of related debt		-
Unrestricted		33,616.46
Total Net Position	$	33,616.46

The Accompanying Notes to the Financial Statements are an integral part of this Statement

Exhibit B

UPPER TOWNSHIP FIRE DISTRICT #1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Expenses	Program Revenue Fees, Fines & Charges For Services	Net (Expenses)/Revenues and Changes in Net Position Governmental Activities
Governmental Activities:			
Administration:			
Election	$ 150.00	$	$
Professional Services	6,234.05		
Total Administration	6,384.05		
Cost of Operations & Maintenance:			
Contingent Expenses	300.00		
Insurance	12,862.45		
Repairs & Maintenance	16,748.87		
Rental Charges (Hydrant)	9,112.40		
Truck	10,000.00		
Small Operating Equipment	11,682.90		
Utilities and Related Services	7,873.33		
Total Cost of Operations & Maintenance	68,579.95		
Total Governmental Activities	74,964.00		(74,964.00)
General Revenues:			
Taxes			75,975.00
Interest			122.61
Total General Revenues			76,097.61
Change in Net Position			1,133.61
Net Position - Beginning			32,482.85
Net Position - Ending			$ 33,616.46

The Accompanying Notes to the Financial Statements are an integral part of this Statement

Exhibit C

UPPER TOWNSHIP FIRE DISTRICT #1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

		General Fund
ASSETS		
Cash and cash equivalents	$	33,030.28
Prepaid Expenses		1,010.05
Total Assets	$	34,040.33
LIABILITIES AND FUND BALANCES		
Accounts payable	$	423.87
Total Liabilities		423.87
FUND BALANCE		
Unassigned		33,616.46
Total Liabilities and Fund Balances	$	34,040.33

The Accompanying Notes to the Financial Statements are an integral part of this Statement

Exhibit D

UPPER TOWNSHIP FIRE DISTRICT #1
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2013

Total fund balances for governmental funds	$	33,616.46
Total net position of governmental actiivites	$	33,616.46

The Accompanying Notes to the Financial Statements are an integral part of this Statement

Exhibit E

UPPER TOWNSHIP FIRE DISTRICT #1
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General Fund	Total	Total Governmental Funds
REVENUES			
Property taxes	$ 75,975.00	$ 75,975.00	$ 75,975.00
Interest	122.61	122.61	122.61
Total Revenues	76,097.61	76,097.61	76,097.61
EXPENDITURES			
Administrative	6,384.05	6,384.05	6,384.05
Cost of Operations & Maintenance	68,579.95	68,579.95	68,579.95
Total Expenditures	74,964.00	74,964.00	74,964.00
Excess/(Deficit) of revenues over expenditures	1,133.61	1,133.61	1,133.61
Net Change in Fund Balance	1,133.61	1,133.61	1,133.61
Fund balance beginning	32,482.85	32,482.85	32,482.85
Fund balance ending	$ 33,616.46	$ 33,616.46	$ 33,616.46

The Accompanying Notes to the Financial Statements are an integral part of this Statement

Exhibit F

UPPER TOWNSHIP FIRE DISTRICT #1
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

Net change in fund balance - total governmental funds	1,133.61
The change in net position for governmental activities in the statement of activities is different because:	
None	
Change in net position of governmental funds	1,133.61

The Accompanying Notes to the Financial Statements are an integral part of this Statement

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Board of Commissioners of Upper Township Fire District #1 operates with an elected Board of Commissioners. The District performs fire protection services in the Township of Upper, Cape May County, New Jersey.

The financial statements of the Board of Commissioners of Upper Township Fire District #1 (the "District"), have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

A. Reporting Entity

The District is an instrumentality/subordinate entity of the State of New Jersey, established to function as a taxing entity to provide fire suppression in the Strathmere area of Upper Township. The Board consists of five (5) elected officials and is responsible for the fiscal control of the District. A secretary and treasurer are appointed by the Board and are responsible for the administrative control of the District.

The District is not a component unit of any other financial reporting entity nor does the Fire District have any component units to be presented in accordance with Governmental Accounting Standards Board standards.

B. Basic Financial Statements -Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District has no business type activities. In the government-wide Statement of Net Position, the governmental column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts—invested in capital assets, net of related debt, restricted and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants. The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc). The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

C. Basic Financial Statements—Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

Governmental Funds:
The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

a. General fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:
The government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:
The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Financial Statement Amounts

1. Cash and Cash Equivalents:
The District has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent.

2. Capital Assets:
Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

3. Fund Balances – Governmental Funds:
In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Commissioners, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Commissioners.

- Assigned – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's policy, amounts may be assigned by the Board of Commissioners.

- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

4. Revenues:
Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue. In applying GASB standards to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

5. Expenditures:
Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are purchased.

F. Budgets/Budgetary Control

Annual appropriated budgets are prepared each year for the general fund. The budgets are submitted to the Bureau of Authority Regulations Division of Local Government Services and are voted upon at the annual District's election. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. All budget transfers must be approved by resolution of the Fire Commissioners, as well as the State of New Jersey. No material budget transfers were made during the year.

Formal budgetary integration into the accounting system is employed as a management control device during the year which complies with generally accepted accounting principles. Encumbrance accounting is also employed as an extension of formal budgetary integration in the government fund types. Unencumbered appropriations lapse at fiscal year end.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Recent Accounting Pronouncements Not Yet Effective

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 67 "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25". This statement, which is effective for fiscal periods beginning after June 15, 2013, will not have any effect on the District's financial reporting.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27". This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the District's financial reporting.

In January 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 69 "Government Combinations and Disposals of Government Operations". This statement, which is effective for fiscal periods beginning after December 15, 2013, will not have any effect on the District's financial reporting.

In April 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 70 "Accounting and Financial Reporting for Nonexchange Financial Guarantees." This statement, which is effective for fiscal periods beginning after June 15, 2013, will not have any effect on the District's financial reporting.

In November 2013, Governmental Accounting Standards Board (GASB) issued Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68". The provisions of this statement are required to be applied simultaneously with the provisions of Statement 68 which is effective for periods beginning after June 15, 2014. This statement will not have any effect on the District's financial reporting.

NOTE 2: INVESTMENTS

Interest Rate Risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk. New Jersey Statutes 40A:5-15.1(a) limits District investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk. The District places no limit on the amount the District may invest in any one issuer.

NOTE 3: CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds or fund that may pass to the District relative to the happening of a future condition. As of December 31, 2013, $0 of the District's bank balance of $36,039.98 was exposed to custodial credit risk.

NOTE 4: RELATED PARTY TRANSACTIONS

The District has an agreement with the Strathmere Volunteer Fire Company to rent fire trucks. Total amount paid for this rent in 2013 was $10,000. This rental agreement is approved annually.

NOTE 5: RISK MANAGEMENT

The Fire District is exposed to various risks of loss related to torts, theft, casualty, errors and omissions and other losses for which the District carries commercial insurance. Settled claims have not exceeded insurance coverage in any of the past two years and there has been no decrease in coverage.

NOTE 6: NET POSITION

As of December 31, 2013, net position amounted to $33,616.46.

NOTE 8: SUBSEQUENT EVENTS

The District has evaluated subsequent events through June 15, 2014, the date which the financial statements were available to be issued and no items were noted for disclosure.

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REQUIRED SUPPLEMENTARY INFORMATION - PART II

Exhibit G

UPPER TOWNSHIP FIRE DISTRICT #1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2013

	Original Budget	Final Budget	Actual	Variance - Over (Under)
Revenues:				
District Taxes	75,975.00	75,975.00	75,975.00	-
Interest on Deposits and Investments	200.00	200.00	122.61	(77.39)
Total Revenues	76,175.00	76,175.00	76,097.61	(77.39)
Expenditures:				
Operating and Maintenance:				
Administration:				
Election	150.00	150.00	150.00	-
Professional Services - Administration	6,500.00	6,500.00	6,234.05	265.95
Total Administration	6,650.00	6,650.00	6,384.05	265.95
Cost of Operations & Maintenance:				
Contingent Expenses	400.00	400.00	300.00	100.00
Insurance	12,000.00	12,000.00	12,862.45	(862.45)
Repairs & Maintenance	12,285.00	12,285.00	16,748.87	(4,463.87)
Rental Charges (Hydrant)	10,000.00	10,000.00	9,112.40	887.60
Truck	10,000.00	10,000.00	10,000.00	-
Small Operating Equipment	16,090.00	16,090.00	11,682.90	4,407.10
Utilities and Related Services	8,750.00	8,750.00	7,873.33	876.67
Total Cost of Operations and Maintenance	69,525.00	69,525.00	68,579.95	945.05
Total Expenditures	76,175.00	76,175.00	74,964.00	1,211.00
Excess/(Deficit) of Revenues Over Expenditures	-	-	1,133.61	1,133.61
Fund Balances - Beginning of Year	32,482.85	32,482.85	32,482.85	-
Fund Balances - End of Year	32,482.85	32,482.85	33,616.46	1,133.61

See Accompanying Auditor's Report

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OTHER SUPPLEMENTARY INFORMATION

FORD-SCOTT
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Independent Auditor's Report

To the Board of Commissioners
Upper Township Fire District #1
Strathmere, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), the financial statements of the Township of Upper Fire District #1, State of New Jersey (the "District"), 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, and have issued our report thereon dated June 15, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 opiniions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be 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.

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.

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 charges with governance. We identified no deficiencies in internal control that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Responses to Findings

The District's response to the findings identified in our audit is described in the accompanying *schedule of findings and responses*. The 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello

Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

June 15, 2014

THE BOARD OF COMMISSIONERS OF UPPER TOWNSHIP FIRE DISTRICT #1
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013
Schedule of Financial Statement Findings

None

THE BOARD OF COMMISSIONERS OF UPPER TOWNSHIP FIRE DISTRICT #1
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND RESPONSES AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

STATUS OF PRIOR YEAR FINDINGS

Finding 2012-1

Our testing revealed that the district does not use purchase orders. This creates an internal control weakness due to not having proper approval by the Board of Commissioners as well as not obtaining a vendor certification.

Current Status

This finding has been has not been cleared in 2013, but we decided to reflect this in our management letter.

Management Response

The client does not believe that a purchase order system is necessary. They feel that there are several compensating internal control techniques that provide adequate internal control over the Board's expenditures. These include: (1) all expenditures are budgeted in the beginning of each year and in 2012, as in prior years, actual expenditures approximated that which was budgeted; (2) all expenditures are reported to Board members on a regular basis at their meetings which are held not less than eight times per year and expenditures that are not routine and recurring are typically approved at said meetings, in advance of the checks being disbursed to the vendor; and (3) all expenditures require two signatures, no exceptions to which were noted by the Auditor.