

TOWNSHIP OF UPPER FIRE DISTRICT #2
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
YEAR ENDED DECEMBER 31, 2012

TOWNSHIP OF UPPER FIRE DISTRICT #2
YEAR END DECEMBER 31, 2012
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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Township of Upper Fire District #2
Tuckahoe, New Jersey 08250

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 the Township of Upper Fire District #2, 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 Township of Upper Fire District #2'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 the 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 and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, 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 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 an 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 opinions.

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 #2, Township of Upper, New Jersey, as of December 31, 2012 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 August 15, 2013 on our consideration of the Board of Commissioners of the Township of Upper Fire District #2's 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 the Township of Upper Fire District #2's internal control over financial reporting and compliance.

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

August 15, 2013

REQUIRED SUPPLEMENTARY INFORMATION - PART I

MANAGEMENT'S DISCUSSION & ANALYSIS OF THE TOWNSHIP OF UPPER FIRE DISTRICT #2

The Management Discussion and Analysis ("MD&A") of the Township of Upper Fire District #2's ("Fire District") financial performance provides an overall review of the Fire District's financial activities for the fiscal year ended December 31, 2012 and 2011. 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 (2012) and the prior year (2011) is required to be presented in the MD&A.

Pronouncement

The Fire District has adopted GASB No. 1 through 65 and related interpretations issued through December 31, 2012. GASB Statement 34 and subsequent Statements and Interpretations require certain terminology, format and content, as well as inclusion of management's discussion and analysis and supplementary information.

Overview:

The Township of Upper Fire District #2, 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 #2 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 #2 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 2012, the total tax levy was \$437,268, which corresponds to a property tax rate of 0.115 per \$100 of assessed valuation.

Financial Highlights

Key financial highlights for 2012 are as follows:

- In total, net position decreased \$64,585.47, which represents a 14.5% decrease from 2011.
- General Revenues in the form of property tax assessments and accounted for \$437,268.00 or 99.8% of the total revenues of \$438,068.86.
- Total assets of governmental activities decreased by \$89,957.85 as cash and cash equivalents decreased by \$89,930.63. Prepaid expenses decreased by \$27.22.
- The Fire District had \$327,654.33 in expenses. General revenues (primarily property tax assessments) were in the amount of \$438,068.86.

Reporting the Fire District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains only one fund used by the Fire District to provide programs and activities, the view of the Fire District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the modified accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

These two statements report the Fire District's Net Position and changes in those assets. This change in Net Position is important because it tells the reader that, for the commission as a whole, the financial position of the Fire District have improved or diminished. The causes of this change may be the result of many factors, some financial and some not.

Reporting the Fire District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Fire District's funds. The Fire District uses one fund to account for all financial transactions. The Fire District's governmental fund is the General Fund.

Governmental Funds

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 future years. These funds are reported using an accounting method called modified accrual 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 the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. 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.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 15 to 19 of this report.

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.

Table 1 provides a summary of the Fire District's net position for 2012 and 2011.

**Table 1
Net Position**

	<u>2012</u>	<u>2011</u>
Assets		
Current and Other Assets	\$ 380,814.68	\$ 470,772.53
Total Assets	<u>380,814.68</u>	<u>470,772.53</u>
Liabilities		
Other Liabilities	-	25,372.38
Total Liabilities	<u>-</u>	<u>25,372.38</u>
New Assets		
Restricted for:		
Equipment	101,280.00	201,280.00
Unrestricted	279,534.68	244,120.15
Total Net Assets	<u>\$ 380,814.68</u>	<u>\$ 445,400.15</u>

The Fire District's combined net position was \$380,814.68 on December 31, 2012. This was a 14.5% decrease from 2011.

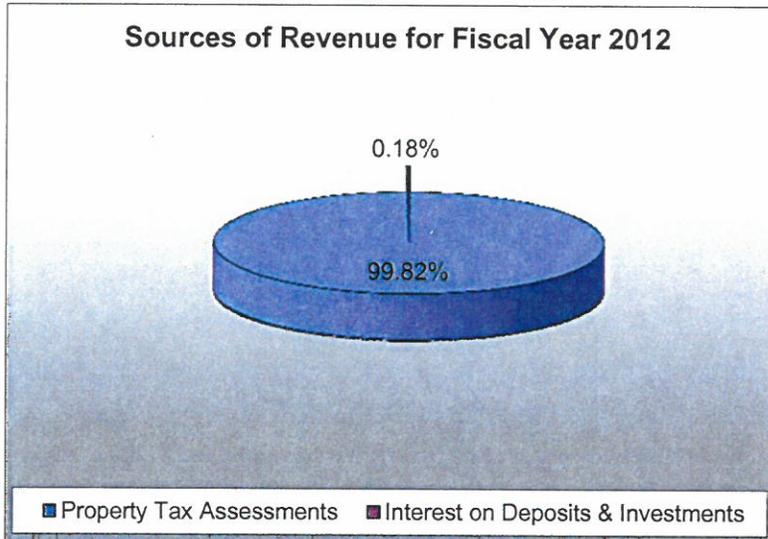
Table 2 shows changes in net position for fiscal year 2012 and 2011.

**Table 2
Changes in Net Position**

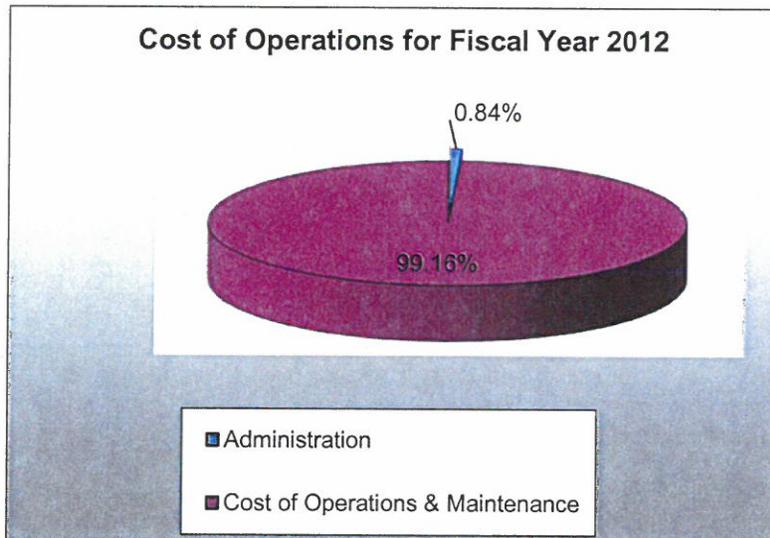
	<u>2012</u>	<u>2011</u>
Revenues		
General Revenues:		
Property Tax Assessments	\$ 437,268.00	\$ 437,268.00
Interest	800.86	1,219.34
Total Revenues	<u>438,068.86</u>	<u>438,487.34</u>
Program Expenses		
Administrative	2,755.14	4,737.77
Cost of Operations & Maintenance	324,899.19	356,965.72
Total Expenses	<u>327,654.33</u>	<u>361,703.49</u>
Excess of Revenue over Expenditures	110,414.53	76,783.85
Non-operating Revenue (Expenditures)		
Reserved for Purchase of Fire Truck	(175,000.00)	
Increase (Decrease) in Net Position	<u>\$ (64,585.47)</u>	<u>\$ 76,783.85</u>

Governmental Activities

The property tax assessments made up 99.82% of revenues while investment earnings and other revenues made up the remaining .18% of revenues for fiscal year 2012. The Fire District's total revenues were \$438,068.86 for the year ended December 31, 2012.



The total cost of operations was \$327,654.33.



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 \$438,068.86 and expenditures were \$327,654.33.

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, 2012, and the amount and percentage of total revenues compared to prior year revenues.

Revenue	2012 Amount	Percentage of Total	2011 Amount	Percentage of Total
Property Taxes	\$ 437,268.00	99.82%	\$ 437,268.00	99.72%
Interest on Deposits and Investments	800.86	0.18%	1,219.34	0.28%
Total	\$ 438,068.86	100%	\$ 438,487.34	100%

The following schedule represents a summary of general fund expenditures for the fiscal year ended December 31, 2012, and the percentage of total expenditures compared to prior year amounts.

Expenditures	2012 Amount	Percentage of Total	2011 Amount	Percentage of Total
Current Expense:				
Administration	\$ 2,755.14	0.84%	\$ 4,737.77	1.31%
Operations & Maintenance	324,899.19	99.16%	356,965.72	98.69%
Total	\$ 327,654.33	100%	\$ 361,703.49	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 2012, the Fire District does not own any capital assets.

For the Future

The Township of Upper Fire District #2 is in good financial condition presently.

In conclusion, the Township of Upper Fire District #2 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:

<u>Name</u>	<u>Position Held</u>
Robert Young	Chairman
Ronald Mayne	Vice Chairman
Scott Mauger	Treasurer
Sam Repici	Secretary
Peter Hartman	At-Large Member

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, Scott Mauger, Treasurer of the Board of Commissioners at Township of Upper Fire District #2, P.O. Box 539, Tuckahoe, NJ 08250.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF UPPER FIRE DISTRICT #2
STATEMENT OF NET POSITION
DECEMBER 31, 2012

		<u>Governmental Activities</u>
ASSETS		
Cash and Cash Equivalents	\$	374,395.19
Prepaid Expenses		6,419.49
		<hr/>
Total Assets	\$	<u><u>380,814.68</u></u>
 LIABILITIES		
Accounts Payable	\$	-
		<hr/>
Total Liabilities	\$	<u><u>-</u></u>
 NET POSITION		
Invested in Capital Assets		-
Reserved for:		
Equipment	\$	101,280.00
Unrestricted		279,534.68
		<hr/>
Total Net Position	\$	<u><u>380,814.68</u></u>

See Accompanying Notes to Financial Statements

TOWNSHIP OF UPPER FIRE DISTRICT #2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Expenses	Program Revenue Fees, Fines & Charges For Services	Net (Expenses)/Revenues and Changes in Net Position
			Governmental Activities
Governmental Activities:			
Administration:			
Election	\$ 566.33	\$	\$
Office Operations	388.81		
Professional Services	1,800.00		
Other Rentals or Leases	-		
Total Administration	2,755.14		
Cost of Operations & Maintenance:			
Advertising	375.79		
Insurance	38,214.37		
Maintenance and Repairs	34,517.60		
Memberships/Dues	300.00		
Supplies	5,470.39		
Training and Education	3,660.00		
Utilities and Related Services	19,593.04		
Contracted Services - Volunteer Fire Co.	222,768.00		
Total Cost of Operations & Maintenance	324,899.19		
Capital Appropriations:			
Reserve for Future Capital Outlays	-		
Total Governmental Activities	327,654.33		(327,654.33)
General Revenues:			
Taxes			437,268.00
Interest			800.86
Total General Revenues			438,068.86
Non-operating Revenues (Expenditures):			(175,000.00)
Reserved for Purchase of Fire Truck			
Change in Net Position			(64,585.47)
Net Position - Beginning			445,400.15
Net Position - Ending		\$	380,814.68

See Accompanying Notes to Financial Statements

TOWNSHIP OF UPPER FIRE DISTRICT #2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

		<u>General Fund</u>
ASSETS		
Cash and cash equivalents	\$	374,395.19
Prepaid Expenses		6,419.49
Total Assets	\$	<u>380,814.68</u>
LIABILITIES AND FUND BALANCES		
Accounts payable	\$	-
Total Liabilities		<u>-</u>
FUND BALANCE		
Assigned to:		
Designated by the District:		
Reserved for Equipment		101,280.00
Unassigned Fund Balance		279,534.68
		<u>380,814.68</u>
Total Liabilities and Fund Balances	\$	<u>380,814.68</u>

See Accompanying Notes to Financial Statements

TOWNSHIP OF UPPER FIRE DISTRICT #2
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012

Total fund balances for governmental funds	\$ 380,814.68
Total net position of governmental actiivites	\$ <u>380,814.68</u>

TOWNSHIP OF UPPER FIRE DISTRICT #2
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General Fund	Total	Total Governmental Funds
REVENUES			
Property taxes	\$ 437,268.00	\$ 437,268.00	\$ 437,268.00
Interest	800.86	800.86	800.86
Total Revenues	<u>438,068.86</u>	<u>438,068.86</u>	<u>438,068.86</u>
EXPENDITURES			
Administrative	2,755.14	2,755.14	2,755.14
Cost of Operations & Maintenance	324,899.19	324,899.19	324,899.19
Total Expenditures	<u>327,654.33</u>	<u>327,654.33</u>	<u>327,654.33</u>
Excess/(Deficit) of revenues over expenditures	110,414.53	110,414.53	110,414.53
Non-operating Revenue/(Expenditures)		-	-
Reserved for Purchase of Fire Truck	(175,000.00)	(175,000.00)	(175,000.00)
Net Change in Fund Balance	(64,585.47)	(64,585.47)	(64,585.47)
Fund balance beginning	445,400.15	445,400.15	445,400.15
Fund balance ending	<u>\$ 380,814.68</u>	<u>\$ 380,814.68</u>	<u>\$ 380,814.68</u>

See Accompanying Notes to Financial Statements

TOWNSHIP OF UPPER FIRE DISTRICT #2
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

Net change in fund balance - total governmental funds \$ (64,585.47)

The change in net position for governmental activities in the statement of activities is different because:

None

Change in net position of governmental funds \$ (64,585.47)

See Accompanying Notes to Financial Statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

TOWNSHIP OF UPPER FIRE DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of Upper Fire District #2 (the Fire District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Fire District's accounting policies are described below.

A. Reporting Entity

The Fire District's basic financial statements include the accounts of all the Fire District's operations. The Fire District, as a special-purpose government, meets the criteria defining a primary government. As set forth in Government Accounting Standards Board (GASB) 14, a primary government is also a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

B. Basis of Presentation, Measurement Focus and Basis of Accounting

Basis of Presentation

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

District-Wide Financial Statements: The statement of net assets and the statement of activities display information about the Fire District as a whole. These statements report financial activities of the overall Fire District. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by District assessments, intergovernmental revenues, and other non-exchange transactions from business-type activities, if any, generally financed in whole or in part with fees charged to external parties.

The statement of net assets presents the financial condition of the Fire District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the governmental activity of the Fire District.

Fund Financial Statements: During the fiscal year, the Fire District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Fire District's funds.

Governmental Funds

The Fire District reports the following governmental funds:

General Fund – The general operating fund of Fire District, accounts for all administrative and operational activities of the Fire District.

TOWNSHIP OF UPPER FIRE DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation, Measurement Focus and Basis of Accounting - Continued

Measurement Focus and Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax assessments are recognized as revenues in the year in which they are levied.

Contributions, grants, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net assets.

C. Budget/Budgetary Control

An annual operating budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures in accordance with NJSA 40A:5A. The operating budget, adopted annually, is in the form prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

D. Assets, Liabilities and Equity

Cash, Cash Equivalents and Investments

Cash and cash equivalents include various checking and money market accounts, U.S. obligations, and certificates of deposit with maturities of three months or less.

Investments are carried at cost with associated premiums and discounts amortized over the term of the investment. Purchase of investments is limited by N.J.S.A. 40A:5-15.1 to bonds or obligations of or guaranteed by the federal government and to bonds or other obligations of federal or local units. These investments are required to have a maturity date not more than twelve months from the date of Purchase.

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

N.J.S.A. 17:9-11 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 savings and loan institutions, banks (both state and national banks) and savings banks 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.

TOWNSHIP OF UPPER FIRE DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Equity - Continued

Accrued Liabilities and Long-Term Obligations

All payables and accrued liabilities are reported on 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.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt (if applicable), consists of capital assets, net of accumulated depreciation (if applicable) reduced by the outstanding balance of any borrowing (if any) used for acquisition, construction, or improvement of those assets. Net position are 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 and regulations of other governments.

Fund Balances

In accordance with Governmental Accounting Standards Board Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Fire District classifies governmental fund balances as follows:

- Non-spendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.
- Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board of Commissioners or Treasurer.
- Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

Extraordinary and Special Items

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

TOWNSHIP OF UPPER FIRE DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Recent Accounting Pronouncements Not Yet Effective

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61 "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The purpose of the statement is to amend the criteria for reporting and including component units with the primary government. This statement, which is effective for fiscal periods beginning after June 15, 2012, is not anticipated to have any effect on the Borough's financial reporting.

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65 "Items Previously Reported as Assets and Liabilities". This statement, which clarifies the reporting requirements related to deferred assets and liabilities, is effective for fiscal periods beginning after December 15, 2012, is not anticipated to have any effect on the Borough's financial reporting.

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 66 "Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62". This statement, which resolves conflicts between Statements No. 10 and No. 54 provides more flexibility in fund classifications for risk based activities, is effective for fiscal periods beginning after December 15, 2012, is not anticipated to have any effect on the Borough's financial reporting.

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 Borough'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 City'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 Borough's financial reporting.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

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 may not be recovered. Although the District does not have a policy for 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. Of the Fire District's bank balance of \$377,434.83 was uninsured and uncollateralized.

Investments

The District does not have any investments at December 31, 2012.

3. CONTINGENCIES AND LITIGATION

In the normal course of business, the Fire District may periodically be named as a defendant in litigation. In the opinion of management, supported by legal counsel, the impact of any such matters, if adversely determined, would not have a material adverse effect on the general-purpose financial statements or operations of the Fire District.

TOWNSHIP OF UPPER FIRE DISTRICT #2
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

4. INTERLOCAL SERVICE AGREEMENT

The Fire District has an agreement with the Tuckahoe Volunteer Fire Company. This agreement states that the Tuckahoe Volunteer Fire Company shall provide fire protection and fire suppression services in Township of Upper Fire District #2 for the year 2012 for a fee of \$222,768.00.

5. FUND BALANCES

Restrictions of fund balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is not appropriate for future expenditures.

The Fire District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Fire District does not have a formal fund balance spending policy therefore the default spending order requires committed, assigned and then unassigned to be used first when expenditures are made.

Specific classifications of fund balance are summarized below:

Non-Spendable Fund Balance – The Fire District had no non-spendable fund balance at December 31, 2012

Restricted Fund Balance – Reserved for Equipment - \$101,280.00 is restricted for Future Equipment purchases

Committed Fund Balance – The Fire District had no committed fund balance at December 31, 2012.

Assigned Fund Balance – The Fire District had no assigned fund balance at December 31, 2012.

Unassigned Fund Balance – At December 31, 2012, the Fire District had \$279,534.68 of unassigned fund balance in their general fund.

6. SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2012 and August 15, 2013, the date that the financial statements were issued, for possible disclosure and recognition in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

TOWNSHIP OF UPPER FIRE DISTRICT #2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget	Adjusted Final Budget	Actual	Variance - Over (Under)
Revenues:				
District Taxes	\$ 437,268.00	\$ 437,268.00	\$ 437,268.00	\$ -
Fund Balance Appropriated	12,000.00	12,000.00	-	(12,000.00)
Interest on Deposits and Investments	-	-	800.86	800.86
Total Revenues	449,268.00	449,268.00	438,068.86	(11,199.14)
Expenditures:				
Operating and Maintenance:				
Administration:				
Election	1,000.00	1,000.00	566.33	433.67
Office Operations	2,500.00	2,500.00	388.81	2,111.19
Professional Services - Administration	4,000.00	4,000.00	1,800.00	2,200.00
Other Rentals or Leases	500.00	500.00	-	500.00
Total Administration	8,000.00	8,000.00	2,755.14	5,244.86
Cost of Operations & Maintenance:				
Advertising	2,500.00	2,500.00	375.79	2,124.21
Insurance Premiums	47,000.00	47,000.00	38,214.37	8,785.63
Maintenance and Repairs	48,000.00	48,000.00	34,517.60	13,482.40
Membership Dues	500.00	500.00	300.00	200.00
Other Operating Materials & Supplies	7,000.00	7,000.00	5,470.39	1,529.61
Training and Education	4,000.00	4,000.00	3,660.00	340.00
Utilities and Related Services	34,500.00	34,500.00	19,593.04	14,906.96
Aid to Vol. Fire Company	222,768.00	222,768.00	222,768.00	-
Total Cost of Operations and Maintenance	366,268.00	366,268.00	324,899.19	41,368.81
Capital Outlay - Reserve for Future Capital Outlays	75,000.00	75,000.00	-	75,000.00
Total Expenditures	449,268.00	449,268.00	327,654.33	121,613.67
Excess (Deficiency) of Revenues Over Expenditures	-	-	110,414.53	110,414.53
Non-operating Revenue (Expenditures Reserved for Purchase of Fire Truck	-	-	(175,000.00)	(175,000.00)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	-	(64,585.47)	(64,585.47)
Fund Balances - Beginning of Year	445,400.15	445,400.15	445,400.15	-
Fund Balances - End of Year	<u>\$ 445,400.15</u>	<u>\$ 445,400.15</u>	<u>\$ 380,814.68</u>	<u>\$ (64,585.47)</u>

See Accompanying Auditor's Report

OTHER SUPPLEMENTARY INFORMATION



FORD - SCOTT

& ASSOCIATES, L.L.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Township of Upper Fire District #2
Tuckahoe, New Jersey 08250

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 #2, State of New Jersey (the "District"), 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, and have issued our report thereon dated August 15, 2013.

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 opinions 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.

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 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.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division which are described in the accompanying schedule of findings and recommendations as Finding 2012-1.

District's Responses to Findings

The District's response to the findings identified in our audit is described in the accompanying 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.

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

August 15, 2013

TOWNSHIP OF UPPER FIRE DISTRICT #2
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

Finding #2012-1:

A corrective action plan to address the 2011 audit findings was not filed with the Division of Local Government Services.

Criteria:

The State of New Jersey, Division of Local Government Services requires that all local government units must prepare and submit a corrective action plan, as part of the annual audit process.

Condition:

The required corrective action plan was not filed with the Division of Local Government Services.

Cause:

This was an oversight by the District's personnel.

Effect:

Because of the District's failure to file the corrective action plan, it was not in compliance with New Jersey requirements covering the filing of a corrective action plan.

Recommendation:

That a corrective action plan, which outlines action the Township of Upper Fire District #2 will take to correct any audit findings, shall be prepared and filed with the Division of Local Government Services.

Management Response:

Management agrees with this recommendation.

Should any questions arise as to the comments or contents of this audit, or should you desire other assistance regarding such, please do not hesitate to contact me.

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

August 15, 2013

TOWNSHIP OF UPPER FIRE DISTRICT #2
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDING DECEMBER 31, 2012

STATUS OF PRIOR YEAR FINDINGS

FINDING 11-1:

District personnel did not perform an analysis of outstanding purchase orders at December 31 and prepare a listing of purchase orders comprising the balance sheet account balances for accounts payable.

RECOMMENDATIONS:

Purchase orders should be reviewed for proper classification at December 31 as accounts payable based upon whether the goods have been received or the services rendered. Reconciliations of the adjusted December 31 balances for accounts payable should be performed and the required schedules be prepared for the year end audit.

STATUS:

This finding has been corrected in the 2012 year, as all disbursements in the subsequent period appeared to apply to the 2013 year.

