BOARD OF FIRE COMMISSIONERS

UPPER TOWNSHIP FIRE DISTRICT #2

TOWNSHIP OF UPPER, NEW JERSEY

AUDIT REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2015

BOARD OF COMMISSIONERS
UPPER TOWNSHIP FIRE DISTRICT #2

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Independent Auditor's Report

To the Board of Commissioners
of Upper Township 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, 2015, 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 opinion.

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 Board of Commissioners of the Township of Upper Fire District #2, State of New Jersey, as of December 31, 2015, and the respective changes in financial position for the year 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 30, 2016 on our consideration of the Board of Commissioners of Upper Township Fire District #2, 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 #2 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 30, 2016

REQUIRED SUPPLEMENTARY INFORMATION - PART I

MANAGEMENT DISCUSSION & ANALYSIS

The discussion and analysis of the Township of Upper #2's financial performance provides an overall review of the Fire District's financial activities for the fiscal year ended December 31, 2015. 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 Discussion and Analysis (MD&A) is 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 (2015) and the prior year (2014) is required to be presented in the MD&A.

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." 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 2015, the total tax levy was $456,384.00, which corresponds to a property tax rate of 0.152 per $100 of assessed valuation.

Financial Highlights

Key financial highlights for 2015 are as follows:

- In total, net position increased $97,668.67, which represents an 18% increase from 2014.
- General Revenues in the form of property tax assessments accounted for $456,384.00 or 99.7% of the total revenues of $457,875.64.
- Total assets of governmental activities increased by $102,287.78 as cash and cash equivalents increased by $102,421.99.
- The Fire District had $360,206.97 in expenses. General revenues (primarily property tax assessments) were in the amount of $457,875.64.

MANAGEMENT DISCUSSION & ANALYSIS

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 or the expense is incurred. These two statements report the District's net position and changes in that position. 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 2015 and 2014.

Table 1
Net Position

	2015	2014
Assets		
Current and Other Assets	$ 636,442.98	$ 534,155.20
Total Assets	636,442.98	534,155.20
Liabilities		
Accounts Payable	4,619.11	-
Total Liabilities	4,619.11	-
Net Position		
Reserved for Equipment	290,300.00	215,300.00
Non-Spendable	6,133.09	6,267.30
Unrestricted	335,390.78	312,587.90
Total Net Position	$ 631,823.87	$ 534,155.20

The Fire District's combined net position was $631,823.87 on December 31, 2015. This was an 18% increase from 2014.

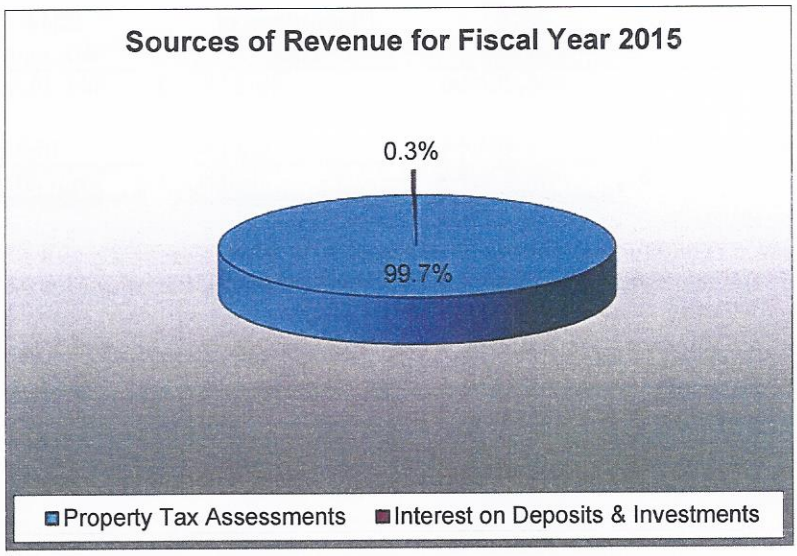
Table 2 shows changes in net position for fiscal year 2015 and 2014.

Table 2
Changes in Net Position

	2015	2014
Revenues		
General Revenues:		
Property Tax Assessments	$ 456,384.00	$ 446,800.00
Interest	1,491.64	950.60
Total Revenues	457,875.64	447,750.60
Program Expenses		
Administrative	7,971.80	3,498.47
Cost of Operations & Maintenance	352,235.17	347,161.67
Total Expenses	360,206.97	350,660.14
Excess of Revenue over Expenditures	97,668.67	97,090.46
Non-operating Revenue (Expenditures)		
Reserved for Purchase of Fire Truck		
Reserved for Purchase of Equipment		
Increase (Decrease) in Net Position	$ 97,668.67	$ 97,090.46

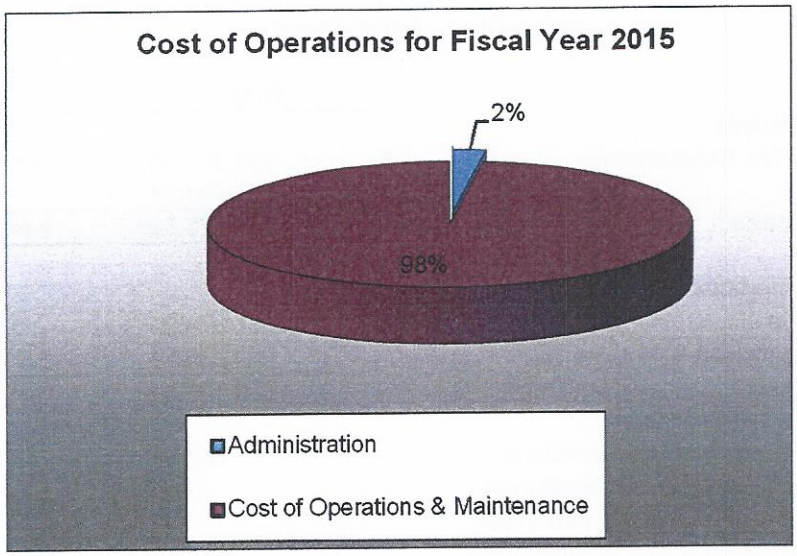
Governmental Activities

The property tax assessments made up 99.7% of revenues while investment earnings and other revenues made up the remaining .3% of revenues for fiscal year 2015. The Fire District's total revenues were $457,875.64 for the year ended December 31, 2015.



MANAGEMENT DISCUSSION & ANALYSIS

The total cost of operations was $360,206.97.



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 $457,875.64 and expenditures were $360,206.97.

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, 2015, and the amount and percentage of total revenues compared to prior year revenues.

Revenue		2015 Amount	Percentage of Total		2014 Amount	Percentage of Total
Property Taxes	$	456,384.00	99.67%	$	446,800.00	99.79%
Interest on Deposits and Investments		1,491.64	0.33%		950.60	0.21%
Total	$	457,875.64	100%	$	447,750.60	100%

The following schedule represents a summary of general fund expenditures for the fiscal year ended December 31, 2015, and the percentage of total expenditures compared to prior year amounts.

Expenditures		2015 Amount	Percentage of Total		2014 Amount	Percentage of Total
Current Expense:						
Administration	$	7,971.80	2.21%	$	3,498.47	1.00%
Operations & Maintenance		352,235.17	97.79%		347,161.67	99.00%
Total	$	360,206.97	100%	$	350,660.14	100%

MANAGEMENT DISCUSSION & ANALYSIS

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.

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.

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.

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FINANCIAL STATEMENTS

Exhibit A

TOWNSHIP OF UPPER FIRE DISTRICT #2
STATEMENT OF NET POSITION
DECEMBER 31, 2015

		Governmental Activities
ASSETS		
Cash and Cash Equivalents	$	630,309.89
Prepaid Expenses		6,133.09
Total Assets	$	636,442.98
LIABILITIES		
Accounts payable		4,619.11
Total Liabilities	$	4,619.11
NET POSITION		
Reserved for:		
Equipment	$	290,300.00
Non-Spendable		6,133.09
Unrestricted		335,390.78
Total Net Position	$	631,823.87

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

Exhibit B

TOWNSHIP OF UPPER FIRE DISTRICT #2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Expenses	Program Revenue Fees, Fines & Charges For Services	Net (Expenses)/Revenues and Changes in Net Position Governmental Activities
Governmental Activities:			
Administration:			
Election	$ 582.50	$	$
Advertising	1,576.34		
Office Operations	914.96		
Membership Dues	300.00		
Professional Services - Administration	4,598.00		
Other Rentals or Leases	-		
Total Administration	7,971.80		(7,971.80)
Cost of Operations & Maintenance:			
Insurance Premiums	40,712.09		
Maintenance and Repairs	43,370.16		
Other Operating Materials & Supplies	3,552.72		
Training and Education	677.50		
Utilities and Related Services	24,922.70		
Aid to Vol. Fire Company	239,000.00		
Total Cost of Operations & Maintenance	352,235.17		(352,235.17)
Capital Appropriations:			
Reserve for Future Capital Outlays	-		
Total Governmental Activities	360,206.97		(360,206.97)
General Revenues:			
Taxes			456,384.00
Interest			1,491.64
Total General Revenues			457,875.64
Change in Net Position			97,668.67
Net Position - Beginning			534,155.20
Net Position - Ending			$ 631,823.87

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

Exhibit C

TOWNSHIP OF UPPER FIRE DISTRICT #2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

		General Fund
ASSETS		
Cash and cash equivalents	$	630,309.89
Prepaid Expenses		6,133.09
Total Assets	$	636,442.98
LIABILITIES AND FUND BALANCES		
Accounts Payable	$	4,619.11
Total Liabilities		4,619.11
FUND BALANCE		
Assigned to:		
Designated by the District:		
Reserved for Equipment		290,300.00
Non-Spendable Fund Balance		6,133.09
Unassigned Fund Balance		335,390.78
		631,823.87
Total Liabilities and Fund Balances	$	636,442.98

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

Exhibit D

TOWNSHIP OF UPPER FIRE DISTRICT #2
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2015

Total fund balances for governmental funds	$	631,823.87
Total net position of governmental actiivites	$	631,823.87

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

Exhibit E

TOWNSHIP OF UPPER FIRE DISTRICT #2
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

		Total Governmental Funds
REVENUES		
Property taxes	$	456,384.00
Interest		1,491.64
Total Revenues		457,875.64
EXPENDITURES		
Administrative		7,971.80
Cost of Operations & Maintenance		352,235.17
Total Expenditures		360,206.97
Excess/(Deficit) of revenues over expenditures		97,668.67
Net Change in Fund Balance		97,668.67
Fund balance beginning		534,155.20
Fund balance ending	$	631,823.87

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

Exhibit F

TOWNSHIP OF UPPER FIRE DISTRICT #2
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

Net change in fund balance - total governmental funds	$	97,668.67
The change in net position for governmental activities in the statement of activities is different because:		
None		
Change in net position of governmental funds	$	97,668.67

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Board of Commissioners of Upper Township Fire District #2 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 #2 (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 Tuckahoe 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 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. Currently 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 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. Fund Balances – Governmental Funds:
In the fund financial statements, governmental funds report the following classifications of fund balance:

- Non-spendable – 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.

3. 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.

4. 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 February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72 "Fair Value Measurement and Application". This statement, which is effective for fiscal periods beginning after June 15, 2015, will not have any effect on the District's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68". This statement, which is effective for fiscal periods beginning after June 15, 2015, will not have any effect on the District's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74 "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". This statement, which is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the District's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement, which is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the District's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 76 "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments". This statement, which is effective for fiscal periods beginning after June 15, 2015, will not have any effect on the District's financial reporting.

In August 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 77 "Tax Abatement Disclosures". This statement, which is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the District's financial reporting.

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 78 "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans". This statement, which is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the District's financial reporting.

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 79 "Certain External Investment Pools and Pool Participants". This statement, which is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the District's financial reporting.

In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 80 "Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14". This statement, which is effective for fiscal periods beginning after June 15, 2016, 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, 2015, $0 of the District's bank balance of $651,676.66 was exposed to custodial credit risk.

NOTE 4: RELATED PARTY TRANSACTIONS

The Fire District has signed an agreement with Tuckahoe Volunteer Fire Company. This agreement states that Tuckahoe Volunteer Fire Company will provide Upper Township Fire District #2 with necessary fire extinguishment services including manpower for a fee of $239,000, paid in a lump sum during the year. The Fire District also makes an annual contribution to the Tuckahoe Volunteer Fire Company's Length of Service Award Program (LOSAP).

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, 2015, net position amounted to $631,823.87.

NOTE 7: SUBSEQUENT EVENTS

The District has evaluated subsequent events through June 30, 2016, 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

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, 2015

	Budget	Adjusted Final Budget	Actual	Variance - Over (Under)
Revenues:				
District Taxes	$ 456,384.00	$ 456,384.00	$ 456,384.00	$ -
Fund Balance Appropriated	10,000.00	10,000.00	-	(10,000.00)
Interest on Deposits and Investments	-	-	1,491.64	1,491.64
Total Revenues	466,384.00	466,384.00	457,875.64	(8,508.36)
Expenditures:				
Operating and Maintenance:				
Administration:				
Election	1,000.00	1,000.00	582.50	417.50
Advertising	2,500.00	2,500.00	1,576.34	923.66
Office Operations	2,500.00	2,500.00	914.96	1,585.04
Membership Dues	800.00	800.00	300.00	500.00
Professional Services - Administration	6,000.00	6,000.00	4,598.00	1,402.00
Other Rentals or Leases	500.00	500.00	-	500.00
Total Administration	13,300.00	13,300.00	7,971.80	5,328.20
Cost of Operations & Maintenance:				
Insurance Premiums	47,000.00	47,000.00	40,712.09	6,287.91
Maintenance and Repairs	52,584.00	52,584.00	43,370.16	9,213.84
Other Operating Materials & Supplies	7,500.00	7,500.00	3,552.72	3,947.28
Training and Education	4,000.00	4,000.00	677.50	3,322.50
Utilities and Related Services	28,000.00	28,000.00	24,922.70	3,077.30
Aid to Vol. Fire Company	239,000.00	239,000.00	239,000.00	-
Total Cost of Operations and Maintenance	378,084.00	378,084.00	352,235.17	25,848.83
Capital Appropriations - Reserve for Future Capital Outlays	75,000.00	75,000.00	-	75,000.00
Total Expenditures	466,384.00	466,384.00	360,206.97	106,177.03
Excess (Deficiency) of Revenues Over Expenditures	-	-	97,668.67	97,668.67
Fund Balances - Beginning of Year	534,155.20	534,155.20	534,155.20	-
Fund Balances - End of Year	$ 534,155.20	$ 534,155.20	$ 631,823.87	$ 97,668.67

See Accompanying Auditor's Report

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OTHER SUPPLEMENTARY INFORMATION

FORD-SCOTT
& ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS
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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, 2015, 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 30, 2016.

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.

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. 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.

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.

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 30, 2016

THE BOARD OF COMMISSIONERS OF UPPER TOWNSHIP FIRE DISTRICT #2
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015
Schedule of Financial Statement Findings

None

THE BOARD OF COMMISSIONERS OF UPPER TOWNSHIP FIRE DISTRICT #2
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND RESPONSES AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

STATUS OF PRIOR YEAR FINDINGS

There were no prior year findings.