

FIRE DISTRICT NO. 3
TOWNSHIP OF GLOUCESTER, NEW JERSEY
REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2013



**FIRE DISTRICT NO. 3
TOWNSHIP OF GLOUCESTER, NEW JERSEY**

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FIRE DISTRICT NO. X
TOWNSHIP OF BOWMANVILLE, NEW JERSEY

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**FIRE DISTRICT NO. 3
TOWNSHIP OF GLOUCESTER, NEW JERSEY
Roster of Officials and Surety Bonds**

Board of Commissioners

<u>Name</u>	<u>Title</u>	<u>Amount of Surety Bond</u>
Donald Stires	Chairman	50,000.00 (A)
Thomas Jowett	Vice Chairman	50,000.00 (A)
Amelia R. Tarves	Treasurer/ Secretary	50,000.00 (A)
Leo Foglio	Commissioner	50,000.00 (A)
Laura Paffenroth	Commissioner	50,000.00 (A)

(A) All Commissioners handling funds were covered by a Blanket Dishonesty Bond through ESIP.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District No. 3
Township of Gloucester
Blenheim, New Jersey 08012

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Township of Gloucester Fire District No. 3, in the County of Camden, State of New Jersey, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Township of Gloucester Fire District No. 3, in the County of Camden, State of New Jersey as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Gloucester Fire District No. 3's basic financial statements. The related major fund supporting statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2014 on our consideration of the Township of Gloucester Fire District No. 3's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Township of Gloucester Fire District No. 3's internal control over financial reporting and compliance.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
March 10, 2014

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District No. 3
Township of Gloucester
Blenheim, New Jersey 08012

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities, and each major fund of the Township of Gloucester Fire District No. 3, in the County of Camden, State of New Jersey, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Fire District's basic financial statements, and have issued our report thereon dated March 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township of Gloucester Fire District No. 3's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of Township of Gloucester Fire District No. 3's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Gloucester Fire District No. 3's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

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

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
March 10, 2014

**REQUIRED SUPPLEMENTARY INFORMATION
PART I**

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 3

Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

As management of the Township of Gloucester Fire District No. 3, we offer readers of the Township of Gloucester Fire District No. 3's financial statements this narrative overview and analysis of the financial activities of the Township of Gloucester Fire District No. 3 for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the Township of Gloucester Fire District No. 3's financial performance as a whole; readers should also review the information furnished in the notes to the basic financial statements and financial statements to enhance their understanding of the Township of Gloucester Fire District No. 3's financial performance.

Financial Highlights

- The assets of the Township of Gloucester Fire District No. 3 exceeded its liabilities at the close of the most recent year by \$582,315.30 (net position).
- At the end of the current year, unassigned fund balance for the general fund was \$61,165.09 approximately a 54.95% percent increase from that of the prior year. This is primarily the result of the Fire District being able to expend less than budgeted due to only purchasing necessary items.

Overview of the Financial Statements

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township of Gloucester Fire District No. 3's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Township of Gloucester Fire District No. 3's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township of Gloucester Fire District No. 3 is improving or deteriorating.

The Statement of Activities presents information showing how the Township of Gloucester Fire District No. 3's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Both of the government-wide financial statements distinguish functions of the Township of Gloucester Fire District No. 3 that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Township of Gloucester Fire District No. 3 include fire-fighting which is provided to the citizens of the Township of Gloucester.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township of Gloucester Fire District No. 3, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township of Gloucester Fire District No. 3 constitute one fund type, governmental funds.

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 3

Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited) (Cont'd)

Governmental Funds. All of the Township of Gloucester Fire District No. 3's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township of Gloucester Fire District No. 3's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance fire-fighting and emergency medical services operations.

The Township of Gloucester Fire District No. 3 maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special revenue fund, capital projects fund, and debt service fund.

The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Also, the Township of Gloucester Fire District No. 3 adopts an annual budget in accordance with N.J.S.A. 40A:14-78.3. Budgetary comparison schedules have been provided to demonstrate compliance with the budget.

Notes to the Financial Statement. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Township of Gloucester Fire District No. 3, assets exceeded liabilities by \$582,315.30 at the close of the most recent year. This is an increase of approximately 2.14 percent or \$12,197.48 resulting primarily from the result of normal operations.

A large portion of the Township of Gloucester Fire District No. 3's net position 88.12 percent reflects its investment in capital assets (i.e., construction in progress, vehicles and equipment). The Township of Gloucester Fire District No. 3 uses these assets to provide fire-fighting services to the citizens of the Township of Gloucester; consequently, these assets are not available for future spending.

**Township of Gloucester Fire District No. 3's Net Position
December 31,**

	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$ 118,071.14	\$ 73,644.21
Capital Assets, net	<u>593,100.00</u>	<u>661,136.62</u>
Total Assets	<u>\$ 711,171.14</u>	<u>\$ 734,780.83</u>
Long-term Liabilities	79,972.29	79,972.29
Other Liabilities	<u>48,883.55</u>	<u>84,690.72</u>
Total Liabilities	<u>128,855.84</u>	<u>164,663.01</u>
Net Position:		
Net Investment in Capital Assets	513,127.71	524,071.65
Restricted	8,975.00	8,975.00
Unrestricted	<u>60,212.59</u>	<u>37,071.17</u>
Total Net Position	<u>\$ 582,315.30</u>	<u>\$ 570,117.82</u>

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 3
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited) (Cont'd)

Government-wide Financial Analysis (Cont'd)

1.54 percent of net position are restricted for Capital Projects.

The remaining 10.34 percent of net position is unrestricted.

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

	<u>2013</u>	<u>2012</u>
Expenses:		
Operating Appropriations:		
Administration	\$ 85,319.28	\$ 85,227.01
Cost of Operations and Maintenance	256,448.26	297,879.91
Operating Appropriations Offset with Revenues	19,488.03	23,982.76
Interest on Long-term Debt	1,962.00	7,408.21
Total Program Expenses	<u>363,217.57</u>	<u>414,497.89</u>
Program Revenues:		
Charges for Services	2,015.00	12,111.55
Operating Grants and Contributions	1,486.82	1,306.78
Net Program Expenses	<u>359,715.75</u>	<u>401,079.56</u>
General Revenues:		
Taxes:		
Property Taxes, Levied for General Purposes	312,397.05	300,001.68
Property Taxes, Levied for Debt Services	59,449.95	66,019.32
Miscellaneous Revenue		72,523.11
Unrestricted Investment Earnings	66.23	55.30
Total General Revenues	<u>371,913.23</u>	<u>438,599.41</u>
Increase/(Decrease) in Net Assets	12,197.48	37,519.85
Net Position, January 1	<u>570,117.82</u>	<u>532,597.97</u>
Net Position, December 31	<u>\$ 582,315.30</u>	<u>\$ 570,117.82</u>

Property taxes constituted 99.98% of revenues for governmental activities for the Fire District for the year 2013.

Cost of operations and maintenance comprises 70.60% of Fire District expenses, with administration comprising 23.49%, Operating Appropriations Offset with Revenues comprising 5.37%, and Interest on Long-term Debt comprising 0.54% of total expenses.

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 3
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited) (Cont'd)

Financial Analysis of the Government's Funds

As stated earlier, the Township of Gloucester Fire District No. 3 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund. The focus of the Township of Gloucester Fire District No. 3's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township of Gloucester Fire District No. 3's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the Township of Gloucester Fire District No. 3's governmental funds reported an ending fund balance of \$70,140.09, an increase of \$23,608.74 in comparison with the prior year. The General Fund balance consists of \$61,165.09 of the total fund and the increase is primarily attributable to the decrease in budgetary expenditures. The other \$8,975.00 is restricted in the Capital Projects Fund for Truck Refurbishing. The general fund is the main operating fund of the Township of Gloucester Fire District No. 3.

The total general fund balance of \$61,165.09 is unassigned.

There are no fund balances in the special revenue fund and the debt service fund.

General Fund Budgetary Highlights

The Township of Gloucester Fire District No. 3 modified its general fund budget at year end. There was no net change in total modifications.

The final budgetary basis revenue estimate was \$342,270.00 which was no change from the original budgeted estimate.

During the year 2013, the Township of Gloucester Fire District No. 3 budgeted \$312,398.00, \$59,449.00, \$1,307.00, \$100.00, \$65.00 and \$28,400.00 property taxes (levied for general purposes), property taxes (levied for debt service), the Supplemental Fire Services Grant, Other Income, interest on investments and deposits, and Uniform Fire Safety Act Revenues respectively.

The final budgetary basis expenditure appropriation estimate was \$352,270.00 which is the same as the original estimate.

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 3

Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited) (Cont'd)

Capital Asset and Debt Administration

Capital Assets. The Township of Gloucester Fire District No. 3's investment in capital assets for its governmental activities as of December 31, 2013 amounts to \$593,100.00 (net of accumulated depreciation). This investment in capital assets includes vehicles and equipment.

At the end of the 2013 year, the Township of Gloucester Fire District No. 3 had \$983,427.68 invested in vehicles and equipment prior to applying a reduction for accumulated depreciation of \$390,327.68.

In 2013 the Fire District purchased a thermal imaging camera. There was no other activity during 2013.

**Township of Gloucester Fire District No. 3's Capital Assets
(Net of Accumulated Depreciation)
December 31,**

	<u>2013</u>	<u>2012</u>
Vehicles and Apparatus	\$ 578,054.17	\$ 637,482.26
Equipment	<u>15,045.83</u>	<u>23,654.36</u>
Total	<u>\$ 593,100.00</u>	<u>\$ 661,136.62</u>

Additional information on the Township of Gloucester Fire District No. 3's capital assets can be found in Note 5.

Economic Factors and Next Year's Budget

For the 2013 year, the Township of Gloucester Fire District No. 3 was able to sustain its budget through the fire district tax levy and miscellaneous revenue sources. Approximately 98.94 percent of total revenue is from local tax levy, while 0.54 percent is from UFSA collections and 0.04 percent from other local sources. The 2014 budget was adopted January 2, 2014 by the Commissioners, and the voters subsequently approved the budget at the annual fire district election held on February 15, 2013.

Requests for Information

This financial report is designed to provide a general overview of the Township of Gloucester Fire District No. 3's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Amy Tarves, Treasurer at the Township of Gloucester Fire District No. 3, P.O. Box 1233, Blenheim, New Jersey 08012.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 3

Statement of Net Position

December 31, 2013

ASSETS:

Cash and Cash Equivalents	\$	101,350.08
Prepaid Expenses		7,746.06
Restricted Assets:		
Restricted Cash and Cash Equivalents		8,975.00
Capital Assets, net (Note 5)		<u>593,100.00</u>
 Total Assets		 <u>711,171.14</u>

LIABILITIES:

Accounts Payable		46,442.99
Accrued Interest Payable		2,440.56
Noncurrent Liabilities (Note 6):		
Due with in One Year		39,329.48
Due Beyond One Year		<u>40,642.81</u>
 Total Liabilities		 <u>128,855.84</u>

NET POSITION:

Net Investment in Capital Assets		513,127.71
Restricted for Capital Projects		8,975.00
Unrestricted		<u>60,212.59</u>
 Total Net Position		 <u>\$ 582,315.30</u>

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

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 3

Statement of Activities

For the Fiscal Year Ended December 31, 2013

Expenses:	
Operating Appropriations:	
Administration	\$ 84,662.73
Cost of Operations and Maintenance	257,104.81
Operating Appropriations Offset with Revenues	19,488.03
Interest on Long-Term Debt	<u>1,962.00</u>
Total Program Expenses	<u>363,217.57</u>
Program Revenues:	
Charges for Services	2,015.00
Operating Grants and Contributions	<u>1,486.82</u>
Net Program Expenses	<u>359,715.75</u>
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	312,397.05
Property Taxes, Levied for Debt Service	59,449.95
Unrestricted Investment Earnings	<u>66.23</u>
Total General Revenues	<u>371,913.23</u>
Increase in Net Position	12,197.48
Net Position, January 1	<u>570,117.82</u>
Net Position, December 31	<u><u>\$ 582,315.30</u></u>

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

FUND FINANCIAL STATEMENTS

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 3

Balance Sheet
 Governmental Funds
 December 31, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and Cash Equivalents	101,350.08		\$ 8,975.00		\$ 110,325.08
Prepaid Expenses	<u>6,258.00</u>				<u>6,258.00</u>
Total Assets	<u>\$ 107,608.08</u>	<u>-</u>	<u>\$ 8,975.00</u>	<u>-</u>	<u>\$ 116,583.08</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	45,870.72				\$ 45,870.72
Payroll Deductions Payable	<u>572.27</u>				<u>572.27</u>
Total Liabilities	<u>46,442.99</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,442.99</u>
Fund Balances:					
Restricted:					
Truck Refurbishing			8,975.00		8,975.00
Assigned:					
Designated for Subsequent Year's Expenditures					
Unassigned					
General Fund	<u>61,165.09</u>				<u>61,165.09</u>
Total Fund Balances	<u>61,165.09</u>	<u>-</u>	<u>8,975.00</u>	<u>-</u>	<u>70,140.09</u>
Total Liabilities and Fund Balances	<u>\$ 107,608.08</u>	<u>-</u>	<u>\$ 8,975.00</u>	<u>-</u>	

(Continued)

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 3
 Balance Sheet
 Governmental Funds
 December 31, 2013

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

Payments made to vendors for services that will benefit periods beyond fiscal year end that are recorded as expenditures at the time of payment in the governmental funds.

\$ 1,488.06

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$983,427.68 and the accumulated depreciation is \$390,327.68.

593,100.00

Accrued interest payable is not due and payable in the current period and, therefore, is not reported as liabilities in the funds.

(2,440.56)

Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

(79,972.29)

Net position of governmental activities

\$ 582,315.30

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

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 3
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended December 31, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES:					
Miscellaneous Anticipated Revenues	\$ 66.23				\$ 66.23
Operating Grant Revenue	1,486.82				1,486.82
Miscellaneous Revenues Offset with Appropriations	2,015.00				2,015.00
Amount to be Raised by Taxation to Support the District Budget	<u>312,397.05</u>			<u>\$ 59,449.95</u>	<u>371,847.00</u>
Total Revenues	<u>315,965.10</u>	<u>-</u>	<u>-</u>	<u>59,449.95</u>	<u>375,415.05</u>
EXPENDITURES:					
Operating Appropriations:					
Administration	83,033.95				83,033.95
Cost of Operations and Maintenance	190,898.06				190,898.06
Operating Appropriations Offset with Revenue	19,488.03				19,488.03
Debt Service:					
Principal				55,262.81	55,262.81
Interest				<u>4,187.14</u>	<u>4,187.14</u>
Total Expenditures	<u>293,420.04</u>	<u>-</u>	<u>-</u>	<u>59,449.95</u>	<u>352,869.99</u>
OTHER FINANCING SOURCES (USES):					
Cancellation of a Prior Year Accounts Payable	<u>1,063.68</u>		<u>-</u>		<u>1,063.68</u>
Total Other Financing Sources and Uses	<u>1,063.68</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,063.68</u>
Excess (Deficiency) of Revenues over Expenditures	23,608.74	-	-	-	23,608.74
Fund Balance, January 1	<u>37,556.35</u>	<u>-</u>	<u>\$ 8,975.00</u>	<u>-</u>	<u>46,531.35</u>
Fund Balance, December 31	<u>\$ 61,165.09</u>	<u>-</u>	<u>\$ 8,975.00</u>	<u>-</u>	<u>\$ 70,140.09</u>

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

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 3
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended December 31, 2013

Total Net Change in Fund Balances - Governmental Funds	\$	23,608.74
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.</p>		
Depreciation Expense	\$ (77,286.62)	
Capital Outlay	<u>9,250.00</u>	
		(68,036.62)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.		55,262.81
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		<u>1,362.55</u>
Change in Net Position of Governmental Activities	\$	<u><u>12,197.48</u></u>

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

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 3

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity – The Township of Gloucester Fire District No. 3 (“the Fire District”) is a political subdivision of the Township of Gloucester, Camden County, New Jersey. It was formed in January 1956. A board of five commissioners oversees all operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of every February.

Fire Districts are governed by N.J.S.A. 40A:14-70 et al. and are organized as a taxing authority charged with the responsibility of providing the resources necessary to provide firefighting services to the residents within its territorial location. The Township of Gloucester Fire District No. 3 has one fire company within its jurisdiction, the Blenheim Fire Company.

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

Basis of Presentation - The financial statements of the Township of Gloucester Fire District No. 3 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Fire District's accounting policies are described in this Note.

The Fire District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

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

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

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

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

General Fund - The General Fund is the general operating fund of the Fire District and is used to account for the inflows and outflows its of financial resources. The acquisition of certain capital assets, such as firefighting apparatus and equipment, is accounted for in the General Fund when it is responsible for the financing of such expenditures.

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

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

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

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Fire District are included on the Statement of Net Position.

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

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

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

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

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

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

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

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

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

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

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

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

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

Amounts reported under "final budget" on Exhibit C-1 and I-3 includes modifications to the adopted budget that were made during the year as approved by the Board of Commissioners.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the General Fund Budgetary Comparison Schedule and the Special Revenue Fund Budgetary Comparison Schedule to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. Note that the Fire District does not report encumbrances outstanding at year end as expenditures in the general fund since the general fund budget follows modified accrual basis of accounting.

Encumbrances - Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as reservations of fund balances at year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the Fire District has received advances are reflected in the balance sheet as deferred revenues at year end.

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

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

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

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

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

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

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

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

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

Prepaid Expenses - Prepaid expenses recorded in the governmental fund types, which benefit future periods, are recorded as an expenditure during the year of purchase. Prepaid expenses recorded on the government-wide financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2013.

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

Capital Assets - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

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

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

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

N.J.S.A. 40A:14-84 governs the procedures for the acquisition of property and equipment for Fire Districts, and N.J.S.A. 40A:14-85 to 87 governs procedures for the issuance of any debt related to such purchases. In summary, Fire Districts may purchase firefighting apparatus and equipment and land and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or 2 percent of the assessed valuation of property, whichever is larger.

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Fund Balance (Cont'd) –**

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

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

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

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

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

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

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

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

New Accounting Standards Adopted - During the year ended December 31, 2013, the Fire District adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

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

Issued in November 2010, the objective of this Statement is to improve financial reporting for a governmental financial reporting entity. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement had no impact on the financial statements of the Fire District for the year ended December 31, 2013.

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

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

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

This Statement only impacted financial statement terminology as opposed to financial statement reporting for the year ended December 31, 2013.

Statement No. 65, Items Previously Reported as Assets and Liabilities

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

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

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

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

Note 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Fire District's deposits might not be recovered. Although the Fire District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Fire District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds, or funds that may pass to the Fire District relative to the happening of a future condition. As of December 31, 2013, the Fire District's bank balances of \$115,921.09 were insured.

Note 3: PROPERTY TAX LEVIES

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

<u>Year</u>	<u>Assessed Valuation</u>	<u>Total Tax Levy</u>	<u>Tax Rate</u>
2013	\$ 432,303,900.00	\$ 371,847.00	\$ 0.087
2012	432,835,500.00	366,021.00	0.085
2011	433,484,650.00	296,781.00	0.069
2010	429,390,130.00	290,287.00	0.068 *
2009	227,655,027.00	292,433.00	0.129

*- Revaluation

Note 4: RECEIVABLES

Receivables at December 31, 2013, the Fire District did not have any receivables.

Note 5: CAPITAL ASSETS

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

	<u>Balance Jan. 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance Dec. 31, 2013</u>
Equipment	\$ 126,164.30	\$ 9,250.00		\$ 135,414.30
Vehicles	848,013.38			848,013.38
Total Capital Assets being Depreciated	<u>974,177.68</u>	<u>9,250.00</u>	<u>-</u>	<u>983,427.68</u>
Less Accumulated Depreciation for:				
Equipment	(102,509.94)	(17,858.53)		(120,368.47)
Vehicles	(210,531.12)	(59,428.09)		(269,959.21)
Total Accumulated Depreciation	<u>(313,041.06)</u>	<u>(77,286.62) *</u>	<u>-</u>	<u>(390,327.68)</u>
Total Capital Assets being Depreciated, net of Accumulated Depreciation	<u>661,136.62</u>	<u>(68,036.62)</u>	<u>-</u>	<u>593,100.00</u>
Government Activities Capital Assets, net	<u>\$ 661,136.62</u>	<u>\$ (68,036.62)</u>	<u>-</u>	<u>\$ 593,100.00</u>

* Depreciation expense was charged to governmental functions as follows:

Cost of Operations and Maintenance	<u>\$ 77,286.62</u>
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Note 6: LONG-TERM OBLIGATIONS

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

	<u>Balance Jan. 1, 2013</u>	<u>Additions</u>	<u>Current Year Reductions</u>	<u>Prior Year Other Financing Use</u>	<u>Balance Dec. 31, 2013</u>	<u>Amounts Due within One Year</u>
Other Liabilities:						
Obligations under Capital Lease	\$ 118,030.87		\$(38,058.58)		\$ 79,972.29	\$ 39,329.48
Term Loan	19,034.10		(17,204.23)	\$ (1,829.87)		
Total Other Liabilities	<u>\$ 137,064.97</u>	<u>-</u>	<u>\$(55,262.81)</u>	<u>\$ (1,829.87)</u>	<u>\$ 79,972.29</u>	<u>\$ 39,329.48</u>

Note 6: LONG-TERM OBLIGATIONS (CONT'D)

Capital Leases Payable - The Fire District entered into a capital lease agreement with Commerce Commercial Leasing LLC on March 12, 2008 to lease/purchase a 2009 Smeal Quint Fire Truck totaling \$694,006.38. In 2008 the Fire District budgeted a down payment of \$417,500.00; \$25,000.00 funded by the reserved fund balance, \$340,000.00 of unreserved fund balance, and \$52,500.00 in taxes. The District leased the remaining balance of the truck totaling \$259,000.00. The terms of the lease require the principle and interest \$294,000.00 to be paid in seven annual installments, beginning February 1, 2009 at 3.339% interest.

Year Ending <u>Dec. 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 39,329.48	\$ 2,670.52	\$ 42,000.00
2015	40,642.81	1,357.19	42,000.00
	<u>\$ 79,972.29</u>	<u>\$ 4,027.71</u>	<u>\$ 84,000.00</u>

Term Loan Payable – The Fire District entered into a Term Loan agreement with TD Bank, N.A on September 14, 2011 to purchase a 1996 HME Ferrara Custom Class A Pumper totaling \$110,000.00. The Fire District received approval through a special election held May 6, 2011 to purchase the Pumper Truck. The terms of the loan require the principle and interest totaling \$120,095.79 to be paid in 60 monthly installments, beginning October 14, 2011 at 3.46% interest. In 2012, the Fire District sold their old 1994 Simon Duplex Rescue Engine. The proceeds of the sale were used to pay down the principal balance on the term loan in the amount of \$67,079.87. The term loan's remaining principal balance and interest were paid in 9 monthly installments beginning January 14, 2013 at 3.46% interest. As of December 31, 2013 the Term Loan principal balance and interest were paid in full.

Note 7: LEASES

Lease Obligations - At December 31, 2013, the Fire District had lease agreements in effect for the following:

Capital:
2009 Smeal Quint Truck

Note 8: PENSION PLANS

The Township of Gloucester Fire District No. 3 contributes to one cost-sharing multiple-employer defined benefit pension plan, the Public Employees' Retirement System (PERS), which is administered by the New Jersey Division of Pensions and Benefits. In addition, Fire District employees can participate in the Defined Contribution Retirement Program (DCRP), which is a defined contribution pension plan and is also administered by the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

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

Note 8: PENSION PLANS (CONT'D)

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

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate will be increased to 6.5% plus an additional 1.0% phased-in over seven years beginning in the first year. The phase-in of the additional incremental member contribution amount will take place in July of each subsequent year. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

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

<u>Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Paid by Fire District</u>
2013	\$ 528.00	\$ 1,495.00	\$ 2,023.00	\$ 2,023.00
2012	591.00	1,419.00	2,010.00	2,010.00
2011	1,001.00	1,333.00	2,334.00	2,334.00

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

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Fire District's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

The Fire District's contributions were as follows:

<u>Fiscal Year</u>	<u>Total Liability</u>	<u>Funded By Fire District</u>
2013	\$ 353.37	\$ 353.37
2012	357.00	357.00
2011	252.00	252.00

Note 9: POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN

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

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 1986, the Fire District authorized participation in the SHBP's post-retirement benefit program through resolution number 1986-15. Employees with twenty-five (25) years of service or more qualify for continuation of paid health insurance benefits at retirement.

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

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

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Fire District on a monthly basis. The Fire District budgets for these premiums for healthcare and prescription coverage in its annual budget for the General Fund.

There are currently no Fire District employees receiving benefits under this plan..

Note 10: RISK MANAGEMENT

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

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

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

Note 11: FUND BALANCES APPROPRIATED

The 2014 annual budget of the Fire District was adopted on January 2, 2014 and subsequently approved by the voters at the annual election. The budget utilized no fund balance in the General Fund.

Note 11: FUND BALANCES APPROPRIATED (CONT'D)

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

<u>Year</u>	<u>Balance Dec. 31</u>	<u>Utilization in Subsequent Budget</u>
2013	\$ 61,165.09	None
2012	37,556.35	\$ 10,000.00
2011	38,943.31	15,000.00
2010	44,944.24	35,000.00
2009	121,790.50	32,000.00

Note 12: FUND BALANCES**RESTRICTED**

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

Capital Projects Fund -

For Truck Refurbishing - These funds are restricted for future capital truck refurbishing expenditures to be made in future years. When the Fire District desires to utilize these funds in their annual budget, a capital resolution must be passed by the Board of Fire Commissioners prior to any expenditure against a capital appropriation. As of December 31, 2013, the balance is \$8,975.00

UNASSIGNED

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

General Fund - As of December 31, 2013, \$61,165.09 of general fund balance was unassigned.

Note 13: ACCOUNTING STANDARDS PRONOUNCEMENT TO BE IMPLEMENTED IN FUTURE PERIODS

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

Note 13: ACCOUNTING STANDARDS PRONOUNCEMENT TO BE IMPLEMENTED IN FUTURE PERIODS (CONT'D)

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

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

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

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

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

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

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 3
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended December 31, 2013

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES:					
Miscellaneous Anticipated Revenues:					
Interest on Investments and Deposits	\$ 65.00		\$ 65.00	\$ 66.23	\$ 1.23
Other Revenue	100.00		100.00		(100.00)
Total Miscellaneous Anticipated Rvenues	165.00	-	165.00	66.23	(98.77)
Operating Grant Revenue					
Supplemental Fire Services Grant	1,307.00	-	1,307.00	1,486.82	179.82
Miscellaneous Revenues Offset with Appropriations					
Uniform Fire Safety Act (P.L. 1983, Ch. 383):					
Annual Registration Fees	3,500.00		3,500.00		(3,500.00)
Penalties & Fines	2,000.00		2,000.00		(2,000.00)
Other Revenues	22,900.00		22,900.00	2,015.00	(20,885.00)
Total Uniform Fire Safety Act Revenues	28,400.00	-	28,400.00	2,015.00	(26,385.00)
Amount to be Raised by Taxation to Support the District Budget	312,398.00	-	312,398.00	312,397.05	(0.95)
Total Anticipated Revenues	342,270.00	-	313,870.00	315,965.10	(26,304.90)
Total Revenues	342,270.00	-	342,270.00	315,965.10	(26,304.90)

(Continued)

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 3
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended December 31, 2013

	Original <u>Budget</u>	Budget Modifications / <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
EXPENDITURES:					
Operating Appropriations:					
Administration:					
Salary and Wages:					
Commissioners	\$ 21,000.00		\$ 21,000.00	\$ 21,000.00	
Fringe Benefits	6,450.00	\$ 2.02	6,452.02	5,853.88	\$ 598.14
Other Expenses:					
Election	1,500.00		1,500.00	278.53	1,221.47
Insurance	34,000.00		34,000.00	29,289.86	4,710.14
Office Expenses	7,750.00	552.51	8,302.51	6,656.26	1,646.25
Professional Services	20,520.00		20,520.00	19,849.00	671.00
Total Administration	<u>91,220.00</u>	<u>554.53</u>	<u>91,774.53</u>	<u>83,033.95</u>	<u>8,740.58</u>
Cost of Operations and Maintenance:					
Other Expenses:					
Advertising	1,000.00		1,000.00	241.23	758.77
Repairs & Maintenance	6,000.00		6,000.00	2,168.33	3,831.67
Truck Repairs	15,000.00	(3,460.91)	11,539.09	6,074.91	5,464.18
Building Repairs	10,000.00		10,000.00	685.60	9,314.40
Rental Charges	89,900.00		89,900.00	84,653.84	5,246.16
Training & Uniforms	11,000.00		11,000.00	5,892.51	5,107.49
Utilities, Gas, & Oil for Trucks	27,500.00	1,284.34	28,784.34	22,049.36	6,734.98
Promotions	3,000.00		3,000.00		3,000.00
Reimbursements	32,500.00		32,500.00	31,807.00	693.00
Fire Fighting Equipment	29,000.00	1,585.02	30,585.02	30,585.02	
Engineers Supplies	750.00	37.02	787.02	787.02	

(Continued)

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 3
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended December 31, 2013

	Original Budget	Budget Modifications / Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONT'D):					
Operating Appropriations (Cont'd):					
Cost of Operations and Maintenance (Cont'd):					
Other Expenses (Cont'd):					
Other Assets - Non-Bondable:					
Radios	\$ 5,150.00		\$ 5,150.00	\$ 3,179.54	\$ 1,970.46
Alarm System	500.00		500.00		500.00
EMS Supplies	1,000.00		1,000.00	773.70	226.30
Shared Fire Fighting Equipment	2,000.00		2,000.00	2,000.00	
Total Cost of Operations and Maintenance	<u>234,300.00</u>	<u>\$ (554.53)</u>	<u>233,745.47</u>	<u>190,898.06</u>	<u>42,847.41</u>
Operating Appropriations Offset with Revenues:					
Salary and Wages					
Fire Marshal Fees	12,000.00		12,000.00	12,000.00	
Other Expenses	14,750.00		14,750.00	7,488.03	7,261.97
Total Operating Appropriations Offset with Revenues	<u>26,750.00</u>	<u>-</u>	<u>26,750.00</u>	<u>19,488.03</u>	<u>7,261.97</u>
Total Expenditures	<u>352,270.00</u>	<u>-</u>	<u>352,270.00</u>	<u>293,420.04</u>	<u>58,849.96</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,000.00)		(10,000.00)	22,545.06	12,545.06
Other Financing Sources (Uses):					
Cancellation of a Prior Year Accounts Payable				1,063.68	1,063.68
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,063.68</u>	<u>1,063.68</u>

(Continued)

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 3

Budgetary Comparison Schedule

General Fund

For the Fiscal Year Ended December 31, 2013

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (10,000.00)</u>	<u>-</u>	<u>\$ (10,000.00)</u>	\$ 23,608.74	<u>\$ 32,545.06</u>
Fund Balance, Beginning				<u>37,556.35</u>	
Fund Balance, Ending				<u>\$ 61,165.09</u>	
Recapitulation: Unassigned Fund Balance				<u>\$ 61,165.09</u>	

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 3
 Required Supplementary Information
 Budgetary Comparison Schedule
 Note to RSI
 For the Fiscal Year Ended December 31, 2013

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources / Inflows of Resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule.	\$ 315,965.10	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	_____	_____
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	<u>\$ 315,965.10</u>	<u>-</u>
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	\$ 293,420.04	
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	_____	_____
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 293,420.04</u>	<u>-</u>

LONG-TERM DEBT

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 3
 Schedule of Obligations Under Capital Leases
 For the Fiscal Year Ended December 31, 2013

<u>Description</u>	<u>Date of Lease</u>	<u>Term of Lease</u>	<u>Amount of Original Issue</u>		<u>Interest Rate Payable</u>	<u>Amount Outstanding Jan. 1, 2013 (a)</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding Dec. 31, 2013 (a)</u>
			<u>Principal</u>	<u>Interest</u>					
2009 Smeal Quint	3/12/2008	7 Years	\$ 259,000.00	\$ 35,000.00	3.339%	\$ 118,030.87	-	\$ 38,058.58	\$ 79,972.29

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

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 3
 Budgetary Comparison Schedule
 Debt Service Fund
 For the Fiscal Year Ended December 31, 2013

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES:					
Amount of be Raised by Taxation to Support the District Budget	\$ 59,449.00	\$ 0.95	\$ 59,449.95	\$ 59,449.95	-
EXPENDITURES:					
Principal Payments:					
Capital Leases	38,059.00		38,059.00	38,058.58	\$ 0.42
Term Loan	17,204.00	0.23	17,204.23	17,204.23	
Interest Payments:					
Capital Leases	3,941.00		3,941.00	3,941.42	(0.42)
Term Loan	245.00	0.72	245.72	245.72	
Total Expenditures	<u>59,449.00</u>	<u>0.95</u>	<u>59,449.95</u>	<u>59,449.95</u>	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	-	<u>-</u>
Fund Balance, January 1				-	
Fund Balance, December 31				<u>-</u>	
Recapitulation:					
Unreserved Fund Balance				<u>-</u>	

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 3

Schedule of Findings and Recommendations
For the Year Ended December 31, 2013

Schedule of Financial Statement Findings

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

None.

TOWNSHIP OF GLOUCESTER FIRE DISTRICT NO. 3
Summary Schedule of Prior Year Audit Findings
And Recommendations as Prepared by Management

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

None.

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APPRECIATION

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bowman & Company LLP".

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

