

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
WITH
INDEPENDENT AUDITOR'S REPORT**

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON**

**FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

TABLE OF CONTENTS

	<u>Page</u>
Independent auditor's report	1 - 2
Management's discussion and analysis	3 - 5
Financial statements:	
Statements of net assets	6
Statements of activities	7
Statement of revenues, expenditures and changes in fund balances/ statement of activities	8
Statements of cash flows	9
Notes to financial statements	10 -14
Supplementary information:	
Budgetary comparison schedule	15
Statistical information	16
Roster of officials	17
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	18-19
Schedule of findings and responses	20

INDEPENDENT AUDITOR'S REPORT

**Board of Fire Commissioners
Township of Jackson, District No. 1**

Report on the Financial Statements

We have audited the accompanying financial statements of the Board of Fire Commissioners, Township of Jackson, District No.1, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the District's basis financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, Issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

MOHEL ELLIOTT BAUER & GASS

A P R O F E S S I O N A L A S S O C I A T I O N

CERTIFIED PUBLIC ACCOUNTANTS

Board of Fire Commissioners Township of Jackson, District No. 1

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board of Fire Commissioners, Township of Jackson, District No. 1, as of December 31, 2012 and 2011, and the changes in financial position, and cash flows, thereof for the years 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 on pages 3 – 5 and 15 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 10, 2013, on our consideration of the Board of Fire Commissioners, Township of Jackson, District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Board of Fire Commissioners, Township of Jackson, District No. 1's internal control over financial reporting and compliance.

Lakewood, New Jersey
June 10, 2013

MoHEL Elliott Bauer & Gass

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Our discussion and analysis of District No. 1 Township of Jackson financial performance provides an overview of the district's financial activities for the year ended December 31, 2012. Please review it in conjunction with the Districts' basic financial statements which begin on Page 6.

Financial Highlights

- Total net assets decreased \$733 which represents a 0.06 percent decrease from 2011. \$40,085 was the deficiency of revenues over expenditures in the general fund, \$215,331 was the decrease in net assets restricted for capital projects and \$254,683 was the increase in invested in capital assets.
- The amount raised by taxation was \$491,200 or 97.94 percent of all revenues. Interest, grant funds and other income amounted to \$10,354 or 2.06 percent of all revenues.
- Total program expenses have increased \$2,524 or 0.52 percent. Significant changes in expenses were as follows:

Truck repairs and maintenance increased \$19,797, firehouse maintenance and repairs have decreased \$6,867 and capital outlays have decreased \$4,847.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on page 6 and 7) provide information about the activities of the District as a whole. Fund financial statements start on page 8. These statements tell how these services were financed. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the District as a whole begins on page 6. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statements of Net Assets and the Statements of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in them. You can think of the District's net assets—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 assets are one indicator of whether its *financial health* is improving or deteriorating.

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2012**

Reporting the District's Most Significant Funds

Fund Financial Statements

Our analysis of the District's major funds begins on page 8. The fund financial statements provide detailed information about the most significant funds-not the District as a whole.

General Fund - Most of the District's basic services are reported in the general fund, which focuses on how money flows into and out of the funds and the balances left at year-end that are available for spending. The general fund statements provide a detailed *short-term view* of the District's general operations and the basic services it provides. General 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.

The District as a Whole

The District's total net assets decreased; \$733 to \$1,168,145 or 0.06 percent. Details of the changes are reflected on page 7.

Original Versus Final Budget

Page 15 reflects the variances between the original and final budgeted amounts.

Final Budget Versus Actual Results

As reflected on page 15, the District operated within budgetary constraints. Actual expenses were under the final budget by \$5,395.

Capital Assets

At year end, the District had \$2,935,232 in total capital assets. During 2012 the District acquired an aerial ladder pumper for \$688,296 and made needed improvements to the firehouse totaling \$89,756.00

Debt Administration

The final payment on the lease with Kansas State Bank was made September, 2012.

The Board has entered into a lease with option to purchase agreement dated June 15, 2012 for a 109' Aerial Ladder Truck with Leasing 2, Inc. The lease is payable over seven years in the amount of \$73,250 per annum. For additional information please refer to page 13 of the notes to financial statements.

Economic Factors and Next Year's Budget and Rates

The District's governing body considered many factors when setting the 2013 budget and tax rates including the economy, the rate of inflation and planned future capital projects. Ratables for the District have decreased \$3,006,776. The proposed tax will remain the same at \$0.099 per \$100 of assessed valuation. The amount to be raised by taxation will increase \$1,800.

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2012**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board Clerk at 81 South Hope Chapel Road, Jackson, NJ 08527.

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON**

**STATEMENTS OF NET ASSETS
DECEMBER 31, 2012 AND 2011**

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 245,557	\$ 530,744
Investments		174,545
Accounts receivable - due from township	156,756	
Capital assets, net	1,420,306	770,704
Total assets	1,822,619	1,475,993
 LIABILITIES		
Accounts payable and accrued expenses	43,424	85,284
Deferred revenue	151,050	156,750
Capital lease obligation payable	460,000	65,081
Total liabilities	654,474	307,115
 NET ASSETS		
Invested in capital assets, net of related debt	960,306	705,623
Restricted for capital projects	37,848	253,179
Unrestricted	169,991	210,076
Total net assets	\$ 1,168,145	\$ 1,168,878

**The accompanying notes are an integral
part of these financial statements.**

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON**

**STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Expenses:		
Personnel services	\$ 41,369	\$ 44,400
Material and services	317,196	306,555
Depreciation	128,450	125,827
Capital outlays	12,279	17,126
Interest expense	<u>2,993</u>	<u>5,855</u>
Total program expenses	502,287	499,763
Program revenues:		
Charges for services	<u>-</u>	<u>-</u>
Net program expenses	502,287	499,763
General revenues:		
Amount raised by taxation	491,200	449,500
Interest income	1,397	2,287
Other income	3,257	7,381
Cell tower income	<u>5,700</u>	<u>5,700</u>
Total general revenues	501,554	464,868
Increase (decrease) in net assets	(733)	(34,895)
Net assets - beginning of year	<u>1,168,878</u>	<u>1,203,773</u>
Net assets - end of year	<u>\$ 1,168,145</u>	<u>\$ 1,168,878</u>

The accompanying notes are an integral
part of these financial statements

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT
OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2012

	<u>General Fund</u>	<u>Restricted for Capital Projects</u>	<u>Invested in Capital Assets</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:						
Amount raised by taxation	\$ 376,200	\$ 115,000	\$ -	\$ 491,200	\$ -	\$ 491,200
Interest income	1,397			1,397		1,397
Other income	3,257			3,257		3,257
Cell tower income	5,700			5,700		5,700
Total revenues	<u>386,554</u>	<u>115,000</u>	<u>-</u>	<u>501,554</u>		<u>501,554</u>
Expenditures:						
Personnel services	41,369			41,369		41,369
Materials and services	317,196			317,196		317,196
Depreciation			128,450	128,450		128,450
Capital outlays		330,331	(318,052)	12,279		12,279
Debt service:						-
Principal	65,081		(65,081)	-		-
Interest	2,993			2,993		2,993
Total expenditures	<u>426,639</u>	<u>330,331</u>	<u>(254,683)</u>	<u>502,287</u>	-	<u>502,287</u>
Excess (deficiency) of revenues over expenditures	(40,085)	(215,331)	254,683	(733)	733	
Change in net assets					(733)	(733)
Fund balance/net assets						
Beginning of year	210,076	253,179	705,623	1,168,878		1,168,878
End of year	<u>\$ 169,991</u>	<u>\$ 37,848</u>	<u>\$ 960,306</u>	<u>\$ 1,168,145</u>	<u>\$ -</u>	<u>\$ 1,168,145</u>

The accompanying notes are an integral
part of these financial statements.

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash received from operations	\$ 328,744	\$ 447,056
Cash paid to suppliers and employees	(415,697)	(417,368)
Interest income received	1,397	2,287
Other income	<u>8,957</u>	<u>13,081</u>
Net cash provided (used) by operating activities	<u>(76,599)</u>	<u>45,056</u>
Cash flow from investing activities:		
Capital expenditures	(778,052)	(70,695)
Reduction of debt	(65,081)	(62,220)
Issuance of debt	460,000	
Purchase of investments		(1,823)
Maturity of investments	<u>174,545</u>	
Net cash provided (used) by investing activities	<u>(208,588)</u>	<u>(134,738)</u>
Net increase in cash and cash equivalents	(285,187)	(89,682)
Cash and cash equivalents at beginning of year	<u>530,744</u>	<u>620,426</u>
Cash and cash equivalents at end of year	<u>\$ 245,557</u>	<u>\$ 530,744</u>
Reconciliation of change in net assets to net cash provided (used) by operating activities:		
Change in net assets	\$ <u>(733)</u>	\$ <u>(34,895)</u>
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation	128,450	125,827
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - due from township	(156,756)	3,256
Increase (decrease) in:		
Deferred revenue	(5,700)	(5,700)
Accounts payable and accrued expenses	<u>(41,860)</u>	<u>(43,432)</u>
Total adjustments	<u>(75,866)</u>	<u>79,951</u>
Net cash provided (used) by operating activities	<u>\$ (76,599)</u>	<u>\$ 45,056</u>

The accompanying notes are an integral part of these financial statements.

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON**

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The Board of Fire Commissioners District No. 1 (the "District") is a corporate body created for the purpose of prevention and extinguishment of fires and regulation of fire hazards within the District. The District is governed by Commissioners ("Board") that acts as the governing body. The Board is comprised of five elected Commissioners.

The Board of Commissioners annually appoints the Chair(person) of the Board from existing board members. The Chair responsibilities are to preside at all meetings of the Board; be the chief officer of the District; perform all duties commonly incident to the position of presiding officer of a board, commission or business organization and exercise supervision over the business of the District, its officers and employees to the extent set forth in their bylaws.

The accompanying statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The financial statements include all organizations, activities, and functions that comprise the District.

Fund Accounting - The 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. The District only uses governmental funds.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose 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 District reports the following major governmental funds:

General Fund - The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws and the bylaws of the District.

Restricted for Capital Projects - Restricted for capital projects is used to account for funds restricted for capital projects.

Invested in Capital Assets, Net of Related Debt - Invested in capital assets, net of related debt represents the District's capital assets less accumulated depreciation, net of related debt.

Basis of Accounting - The financial statements of the Board of Fire Commissioners District No. 1 Township of Jackson have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

(Continued)

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON
(Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inventories of Supplies - Purchases of materials and supplies are recognized and recorded as expenditures when they are acquired, regardless of when used.

Reclassifications - Certain reclassifications have been made to the 2011 financial statements to conform with the 2012 presentation.

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.

Cash and Cash Equivalents - For purposes of reporting cash flows, cash and cash equivalents include cash on hand and investments with an initial maturity of three months or less.

Related Party Transactions - District No. 1 has one fire company within its jurisdiction. (Whitesville Volunteer Fire Co.)

Reservations of Fund Balance - The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore, are not available for appropriations or expenditure in the general fund balance sheet. Unreserved fund balance indicates that portion of fund equity, which is available for appropriations, in future periods. Fund equity reserves have been established for capital projects.

Net Assets - Net assets present the difference between assets and liabilities in the statements of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

Capital Assets - General capital assets generally result from expenditures in the reserve for capital projects. These assets are reported on the government-wide statement of net assets 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. The District maintains a capitalization threshold of \$5,000. The 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 the asset's life are not.

Subsequent Events - The District has evaluated subsequent events through June 10, 2013, the date the financial statements were available to be issued.

(Continued)

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON
 (Continued)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

FIRE CODE ENFORCEMENT

The Board of Fire Commissioners, District No. 1, Jackson Township, has entered into a contract for fire protection services, with the Board of Fire Commissioners, District No. 3, Jackson Township, and as part of the contract, the Board of Commissioners by unanimous vote of all the Commissioners, meeting on October 4, 2005, approved the transferring of all responsibility and authority to the Board of Fire Commissioners, District No. 3, to oversee the fire code enforcement for the territorial area of the Board of Fire Commissioners, District No. 1, beginning January 1, 2006. This authority shall remain in effect until revoked by any future Resolutions adopted by the Board of Fire Commissioners, District No. 1, Jackson Township.

SITE LEASE WITH OPTION - CELL PHONE TOWER

The Board of Fire Commissioners, District No. 1, Township of Jackson (landlord) has entered into a rental lease agreement with Mobilite Investments II, LLC (tenant). Term of lease is thirty (30) years commencing July 17, 2009. The purchase price paid at closing was \$171,000. The rental is being amortized over three hundred sixty (360) months at \$475 per month.

Permitted Use - Premises may be used by tenant for transmission and reception of radio communication signals.

LENGTH OF SERVICE AWARD PROGRAMS

The fire district's Length of Service Awards Program ("LOSAP") was created by the Fire District Resolution approved on November 4, 2003 pursuant to Section 457 (e) (11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the length of Service Award Program as enacted into federal law in 1997. The voters of Township of Jackson, New Jersey Fire District No. 1 approved the adoption of the Plan at the election held on February 21, 2004, and the first year of eligibility for entrance into the Plan by qualified volunteers was calendar year 2004. The plan provides tax deferred income benefits to active volunteer firefighters. Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Fire District or its creditors.

CAPITAL ASSETS

Capital assets together with accumulated depreciation and estimated useful lives consists of the following:

	<u>2012</u>	<u>2011</u>	<u>Estimated Useful Life (Years)</u>
Assets			
Land	\$ 15,000	\$ 15,000	
Building	400,000	400,000	27.5
Apparatus	2,281,022	1,592,726	10
Vehicles and equipment	85,824	85,824	5
Firehouse improvements	<u>153,386</u>	<u>63,630</u>	40
	2,935,232	2,157,180	
Less: accumulated depreciation	<u>(1,514,926)</u>	<u>(1,386,476)</u>	
	<u>\$ 1,420,306</u>	<u>\$ 770,704</u>	

(Continued)

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON**

**NOTES TO FINANCIAL STATEMENTS
(Continued)
YEARS ENDED DECEMBER 31, 2012 AND 2011**

CAPITAL LEASE OBLIGATION PAYABLE

Voters approved the purchase of a 1500 GPM Rear Rescue Pumper in the amount of \$525,000 at a special election held on September 5, 2006. The cost of the truck was financed by a capital lease/purchase and a down payment coming from the Reserve for Future Capital Outlays. On November 30, 2007 the Board entered into a lease/purchase agreement with Kansas State Bank to purchase a 2008 Rear Pump Rescue Pumper. The terms of the lease require the principal repayment of \$300,000 to be paid in five annual installments beginning October 1, 2008 at 4.599%.

The following schedule of future lease payments under the lease together with the present value of the lease payments as of December 31, 2012 and 2011:

<u>Due Date</u>	<u>2012</u>	<u>2011</u>
October 1, 2012	\$ <u> </u>	\$ <u>68,074</u>
Total lease payments	-	68,074
Less: amount representing interest	<u> </u>	<u>(2,993)</u>
Present value of lease payments	\$ <u> </u>	\$ <u>65,081</u>

Voters approved the purchase of a fire truck for an amount not exceeding \$900,000 at a regular fire district election held on February 18, 2012. The cost of the truck was financed by a capital lease/purchase and a down payment coming from the Reserve for Future Capital Outlays. On June 15, 2012 the Board entered into a lease/purchase agreement with Leasing 2, Inc. to purchase a 109' Aerial Ladder Truck. The terms of the lease require the principal repayment of \$460,000 to be paid in seven annual installments beginning June 1, 2013 at 2.790%.

The following schedule of future lease payments under the lease together with the present value of the lease payments as of December 31, 2012:

<u>Due Date</u>	<u>2012</u>
June 1, 2013	\$ 73,250
June 1, 2014	73,250
June 1, 2015	73,250
June 1, 2016	73,250
June 1, 2017	73,250
June 1, 2018	73,250
June 1, 2019	<u>73,250</u>
Total lease payments	512,750
Less: amount representing interest	<u>(52,750)</u>
Present value of lease payments	\$ <u>460,000</u>

(Continued)

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON**

**NOTES TO FINANCIAL STATEMENTS
(Continued)
YEARS ENDED DECEMBER 31, 2012 AND 2011**

ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	<u>2012</u>	<u>2011</u>
Accounts payable	\$ 15,456	\$ 58,911
Accrued L.O.S.A.P.	17,853	17,468
Accrued professional fees	<u>10,115</u>	<u>8,905</u>
	<u>\$ 43,424</u>	<u>\$ 85,284</u>

FAIR VALUE MEASUREMENTS

The District uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosure.

FASB ASC topic 820, fair value measurements and disclosures establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC topic 820 are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Significant other observable inputs.
- Level 3: Significant unobservable inputs.

The carrying amount of cash, investments, accounts receivable, accounts payable and accrued expenses approximates fair value due to the short-term maturities of these instruments.

SUPPLEMENTARY INFORMATION

BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Amount raised by taxation	\$ 491,200	\$ 491,200	\$ 491,200	\$ -
Interest income	1,734	1,734	1,397	(337)
Cell tower income	5,700	5,700	5,700	-
Miscellaneous revenue			3,257	3,257
Restricted fund balance utilized				-
Unrestricted fund balance utilized	48,400	48,400	48,400	-
Total revenues	<u>547,034</u>	<u>547,034</u>	<u>549,954</u>	<u>2,920</u>
Expenditures				
Administrative				
Commissioners	4,400	4,400	4,400	-
Employee benefits		16,500	16,416	84
Insurance premiums	37,000	18,500	18,434	66
Professional fees	18,000	24,000	23,736	264
Utilities	13,000	12,000	11,979	21
Firehouse maintenance and repairs	10,000	10,000	9,921	79
Fuel, oil and gas - building	8,000			-
Fire equipment	13,000	3,000	2,851	149
Repairs, maintenance and testing equipment	13,400	6,000	5,643	357
Truck repairs and maintenance	15,000	44,500	44,001	499
Hydrants	20,000	19,000	18,725	275
Fire suppression contract	5,500	5,500	5,500	-
Contractual service for fire protection	165,000	153,000	153,000	-
General expenses	960	5,960	5,706	254
Election expense	600	600		600
Office expenses	600	3,500	3,441	59
Advertising	500	500		500
Training and education	2,000	2,700	2,700	-
Gas and oil - truck	14,000	14,300	14,259	41
Physicals	3,000	-		-
LOSAP	20,000	20,000	17,853	2,147
Capital appropriation	115,000	115,000	115,000	-
Debt service appropriation	68,074	68,074	68,074	-
Total expenditures	<u>547,034</u>	<u>547,034</u>	<u>541,639</u>	<u>5,395</u>
Excess of revenues over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,315</u>	<u>\$ 8,315</u>

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON**

STATISTICAL INFORMATION

PROPERTY TAX LEVIES:

Following is a tabulation of district assessed valuations, tax levies and property tax rates per \$100 of assessed valuations for the current and preceding three years:

<u>Calendar Year</u>	<u>Valuations (Unaudited)</u>	<u>Assessed Total Tax Levy</u>	<u>Property Tax Rates</u>
12/31/2012	\$ 497,848,491	\$ 491,200	0.099
12/31/2011	\$ 500,855,267	\$ 484,500	0.096
12/31/2010	\$ 505,396,390	\$ 439,840	0.087
12/31/2009	\$ 217,046,000	\$ 364,700	0.168

UNRESERVED FUND BALANCE:

Following is a tabulation of unreserved fund balance and subsequent budget action thereon for the current and preceding three years:

<u>Calendar Year Ended</u>	<u>End of Calendar Year</u>	<u>Utilization in Subsequent Budget</u>
12/31/2012	\$ 169,991	\$ 15,000
12/31/2011	\$ 210,076	\$ 48,400
12/31/2010	\$ 299,238	\$ 60,834
12/31/2009	\$ 303,113	\$ 51,857

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON

ROSTER OF OFFICIALS**

<u>Name</u>	<u>Amount of Dishonesty Bond</u>
<u>Board of Commissioners</u>	
Dave Johnson, President	\$ 750,000
Martin Flemming III, Vice President	\$ 750,000
Martin Flemming IV, Treasurer	\$ 750,000
Robert Redington Jr., Secretary	\$ 750,000
Clarence Aldrich, Commissioner	\$ 750,000
<u>Surety Name</u>	
American Alternative Insurance Corporation	

**Board of Fire Commissioners
Township of Jackson, District No. 1**

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on and Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

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, the financial statements of the Board of Fire Commissioners, Township of Jackson, District No. 1, as of and for the year ended December 31, 2012, and the related notes to the financial statements which collectively comprise the Board of Fire Commissioners, Township of Jackson, District No. 1's basic financial statements, and have issued our report thereon dated June 10, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board of Fire Commissioners, Township of Jackson, District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board of Fire Commissioners, Township of Jackson, District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board of Fire Commissioners, Township of Jackson, District No. 1's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies as item 2012-1.

MOHEL ELLIOTT BAUER & GASS

A P R O F E S S I O N A L A S S O C I A T I O N

CERTIFIED PUBLIC ACCOUNTANTS

Board of Fire Commissioners Township of Jackson, District No. 1

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board of Fire Commissioners, Township of Jackson, District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matter that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 2012-2 and 2012-3.

Response to Finding

Board of Fire Commissioners, Township of Jackson, District No. 1's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Board of Fire Commissioners, Township of Jackson, District No. 1'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.

MoHEL Elliott Bauer & Gass

Lakewood, New Jersey
June 10, 2013

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
TOWNSHIP OF JACKSON**

**SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2012**

SIGNIFICANT DEFICIENCIES

Finding: 2012-1

Criteria: Auditor drafting of client's financial statements

Condition: Bookkeeper does not have adequate technical training in the preparation of financial statements.

Response: Management plans to review, approve and accept responsibility for the financial statements prior to their issuance.

COMPLIANCE AND OTHER MATTERS

Finding: 2012-2

Criteria: Audit not completed and financial statements not filed with the Authority within four months after the close of the fiscal year as required by N.J.S.A. 40A: 5A-15.

Response: Management will have the books and records available prior to April 30, 2014 and the audit will be completed and financial statements filed with the Authority prior to April 30, 2014.

Finding: 2012-3

Criteria: Local Finance Notice LCN 2013-07 requires the district to maintain an internet website and requires the District to post annual budgets, audited financial statements, public meeting notices, meeting minutes, all resolutions of the entity, and contact information for the entity's management. This took effect on February 1, 2013. The Board has established an internet website but required information has not been posted.

Response: The Board is in the process of posting all required information. It is anticipated that required information will be posted by August 31, 2013.