

**NOTES TO FINANCIAL STATEMENTS**

**Jackson Township Fire District No. 2**  
**Notes to Financial Statements**  
**December 31, 2013**

**Note 1 - Summary of Significant Accounting Policies**

**A. Description of Reporting Entity**

The Board of Commissioners, Jackson Township Fire District No. 2 (the District) is an instrumentality of the State of New Jersey, established to function as a special district. The Board consists of five elected Commissioners and is responsible for the fiscal control of the District. Jackson Township Fire District No. 2 was created by the governing body of the Township of Jackson. The length of each Commissioner's term is three years with the annual election held the third Saturday of every February.

**B. Basis of Presentation**

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government 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 District's accounting policies are described below.

The District's basic financial statements consist of district-wide statements (reporting the District as a whole) including a Statement of Net Position and a Statement of Activities, and fund financial statements (reporting the District's major funds).

**District-wide Financial Statements** - The Statement of Net Position presents the financial condition of the government activities of the District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the 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 District is to not allocate indirect expenses to functions in the Statement of Activities. This District-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

**Fund Financial Statements** - During the year, the District segregates transactions related to certain 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 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 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 two categories of funds exist, that being governmental and fiduciary.

**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 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

**Jackson Township Fire District No. 2**  
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**Note 1 - Summary of Significant Accounting Policies (continued)**

**Governmental Funds (continued)**

assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

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

**Capital Projects Fund** – The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to capital outlays, including 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 utilization 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 and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**Fiduciary Funds** – Fiduciary funds are those used to report assets held in a trustee or agency capacity for others and cannot be used to address activities or obligations of the District. Therefore, these funds are not incorporated into the government-wide statements. The following is the District's fiduciary fund:

**Agency Fund** – The Agency Fund is used by the District to report funds that are being held for individuals in a purely custodial capacity. These funds represent monies accumulated in the Length of Service Awards Program (LOSAP) for eligible volunteer fire fighters. For that reason, in the Statement of Fiduciary Net Position, agency fund assets should equal liabilities.

**C. Measurement Focus**

**District-wide Financial Statements** – The district-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflow of resources, liabilities, and deferred inflows of resources associated with the operation of the 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 district-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

**Jackson Township Fire District No. 2**  
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**Note 1 - Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus (continued)**

**Fiduciary Fund Financial Statements** – Because of the custodial nature of agency funds the concept of measurement focus, which centers on operations, is not applicable to agency funds.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-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 District, available means expected to be received within thirty days of year-end.

Non-exchange transactions, in which the 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 current year. The 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 District is entitled to receive monies under the following established payment schedule: on or before April 1, an amount equal to 21.25% of all monies assessed; on or before July 1, an amount equaling 22.5% of all monies assessed; on or before October 1, an amount equaling 25% of all monies assessed; and on or before December 31, an amount equaling the difference between the total of all monies so assessed and the total amount of monies 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 District must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the 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.

**Jackson Township Fire District No. 2**  
**Notes to Financial Statements**  
**December 31, 2013**

**Note 1 - Summary of Significant Accounting Policies (continued):**

**E. 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. Encumbrances are a component of fund balance 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 governmental funds which have not been previously restricted, committed, or assigned, should be included with committed or assigned fund balance, as appropriate.

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.

**F. 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 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. 17:9-41et 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 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.

**G. Prepaid Expenses**

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

**Jackson Township Fire District No. 2**  
**Notes to Financial Statements**  
**December 31, 2013**

**Note 1 - Summary of Significant Accounting Policies (continued):**

**H. 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.

**I. Capital Assets**

General capital assets result from expenditures in the governmental funds. These assets are reported in the district-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 District adopted a Fixed Asset Management Plan wherein assets having a useful life greater than five years and a unit cost greater than \$2,000 are considered capital assets. Assets having a useful life greater than one year but less than five years with a unit cost greater than \$500 but less than \$2,000 are considered non-bondable assets. 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 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>Estimated Lives</u>
Building and improvements	10-25 Years
Vehicles	5-25 Years
Equipment	5-15 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 fire fighting 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 taxable property in the district, whichever is larger.

**J. 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 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

**Jackson Township Fire District No. 2**  
**Notes to Financial Statements**  
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**Note 1 - Summary of Significant Accounting Policies (continued):**

**J. Compensated Absences (continued)**

is outside the control of the 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 district-wide financial statements. For government funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid with expendable available financial resources.

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the district-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. 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.

**L. 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. The District reports three categories of net position as follows:

**Net Investment in capital assets** - consists of capital assets net of accumulated depreciation, net of outstanding balances of any related debt obligations attributable to the acquisition, construction or improvement of those assets.

**Restricted net position** - net position is reported as restricted when there are limitations imposed on their use either through 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** - net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

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

**M. Fund Balance**

The 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 District's 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.

**Jackson Township Fire District No. 2**  
**Notes to Financial Statements**  
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**Note 1 - Summary of Significant Accounting Policies (continued):**

**M. Fund Balance (continued)**

**Restricted** – The restricted fund balance classification includes the 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 the District's highest level of decision-making authority, which, for the District is the Board of Fire 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 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 chief financial officer, to which the Board of Commissioners has delegated authority to assign amounts to be used for specific purposes. Such authority of the chief financial officer 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 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 District to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

**N. 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.



**Jackson Township Fire District No. 2**  
**Notes to Financial Statements**  
**December 31, 2013**

**Note 1 - Summary of Significant Accounting Policies (continued):**

**O. Subsequent Events**

Subsequent events were evaluated through September 22, 2014 which is the date the financial statements were available to be issued.

**Note 2 – Cash and Cash Equivalents**

Cash and cash equivalents as of December 31, 2013, consisted of the following:

Deposits with financial institutions	<u>\$1,372,857</u>
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Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Although the 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 District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized. Of the District's amount on deposit of \$1,372,857 as of December 31, 2013, \$250,000 was insured under FDIC and \$1,122,857 was collateralized under GUDPA.

**Restricted cash** on the Statement of Net Position of \$750,307 represents \$718,056 that must be spent on capital projects and \$32,251 of dedicated penalties required by enabling legislation.

**Note 3 – Accounts Receivable**

Accounts receivable at December 31, 2013 totaled \$7,102 which consisted of rental income, duplicate payment reimbursement and payment resolution.

**Note 4 – Prepaid Expenses**

Prepaid expenses at December 31, 2013 consisted of prepaid insurance of \$37,458.

**Note 5 – Capital Assets**

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

	<u>Balance</u> <u>1/1/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/13</u>
Building & Improvements	\$1,357,765	\$ 49,293	\$ -	\$1,407,058
Vehicles & Apparatus	1,993,182		(118,731)	1,874,451
Equipment	<u>338,681</u>	<u>25,101</u>	<u>(13,071)</u>	<u>350,711</u>
<b>Total Capital Assets</b>				
Being depreciated:	3,689,628	74,394	(131,802)	3,632,220

**Jackson Township Fire District No. 2**  
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**December 31, 2013**

**Note 5 – Capital Assets (continued)**

Less: Accumulated Depreciation:				
Building & Improvements	\$(1,287,038)	\$ (7,518)	\$ -	\$(1,294,556)
Vehicles & Apparatus	(912,201)	(100,645)	118,731	(894,115)
Equipment	<u>(206,420)</u>	<u>(39,040)</u>	<u>13,071</u>	<u>(232,389)</u>
Total Acc. Depreciation	<u>(2,405,659)</u>	<u>(147,203)</u>	<u>131,802</u>	<u>(2,421,060)</u>
Total Capital Assets being Depreciated – net	1,283,969	(72,809)	-	1,211,160
Land	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>150,000</u>
<b>Capital Assets- Net</b>	<b><u>\$1,433,969</u></b>	<b><u>\$(72,809)</u></b>	<b><u>\$ -</u></b>	<b><u>\$1,361,160</u></b>

Depreciation expense was charged to governmental functions as follows:

Cost Of Operations and Maintenance     **\$ 147,203**

**Note 6 – Length of Service Awards Program (LOSAP)**

The District maintains a Length of Service Awards Program for members of the volunteer firefighting organization that serves the citizens of the District. The general requirements for a LOSAP are set forth in State Law (N.J.S.A. 40A:14-183 et seq.) An appropriation of \$15,000 was budgeted for 2013.

**Note 7 – Accounts Payable and Accrued Expenses**

At December 31, 2013 major categories of accounts payable and accrued expenses were:

Due to vendors	\$ 86,959
Due to PERS & PFRS	62,058
Accrued professional fees	16,100
Accrued vacation	<u>5,570</u>
Total	<b><u>\$170,687</u></b>

**Note 8 – Risk Management**

The 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 for which the District carries commercial insurance. The District maintains commercial insurance coverage for property, liability, and surety bonds. Settled claims did not exceed commercial insurance in any of the past three years.

**Note 9 – Interfund Receivables and Payables**

At December 31, 2013, an interfund payable from the general fund and an interfund receivable to the capital projects fund of \$479,072 existed to be used for capital projects.

**Jackson Township Fire District No. 2**  
**Notes to Financial Statements**  
**December 31, 2013**

**Note 10 – Related Parties**

The District entered into a lease agreement with the fire company to rent the premises wherein it makes quarterly payments to the fire company for providing facilities. The total rent paid to the fire company during 2013 was \$25,000.

**Note 11 – Fund Balances**

**General Fund** – Of the \$424,680 general fund balance at December 31, 2013, \$31,757 is assigned for other purposes for encumbrances outstanding for purchase orders and contracts signed by the Fire District, but not completed, as of the close of the year, and \$392,923 is unassigned.

**Capital Projects Fund** – Of the \$718,056 capital projects fund balance at December 31, 2013, the entire balance is restricted for capital projects.

**Note 12 – Property Tax Levies**

Following is a tabulation of 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	\$1,527,737,065	\$1,072,931	\$0.070
2012	1,522,456,165	1,051,154	0.069
2011	1,524,456,188	1,024,022	0.067
2010	1,520,642,200	998,447	0.066
2009	699,279,700	899,246	0.129

**Note 13 – Pension Plans**

Employees of Jackson Township Fire District No. 2 contribute to two cost-sharing multiple-employer defined benefit pension plans, the Public Employee’s Retirement System (PERS) and the Police and Firemen’s Retirement System (PFRS), which are both administered by the New Jersey Division of Pensions and Benefits. These plans provide 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 for PERS and N.J.S.A. 43:16A and 43:3B for PFRS. Each plan has a Board of Trustees that is primarily responsible for its administration.

The State of New Jersey Retirement System 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, Department of Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625, or calling (609) 984-1684.

The contribution requirements of plan members are determined by state statute. In accordance with Statute, plan members enrolled in PERS are required to contribute 6.5%, effective October 1, 2011, of their annual covered salary. The rate will increase over the next seven years to 7.5%. Plan members enrolled in the PFRS are required to contribute 10%, effective October 1, 2011, of their annual covered salary. Employers are required to contribute at an actuarially determined rate in both PERS and PFRS. The District is billed annually for its normal contribution plus any accrued liability. The District’s actuarial determined contributions to the plans, equal to the required contributions for the last three years were as follows:

**Jackson Township Fire District No. 2**  
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**Note 13 – Pension Plans (continued)**

<u>PERS</u>	Net		Interest &	Net
Year	Normal	Accrued	Life Ins	Pension
<u>Ending</u>	<u>Contribution</u>	<u>Liability</u>	<u>Premium</u>	<u>Obligation</u>
12/31/13	\$3,114	\$13,693	\$ 320	\$17,127
12/31/12	4,883	11,675	985	17,543
12/31/11	5,462	10,924	1,044	17,430
<u>PFRS</u>				
12/31/13	\$16,335	\$26,891	\$1,705	\$44,931
12/31/12	11,738	15,534	1,126	28,398
12/31/11	17,084	7,525	1,365	25,974

It should be noted that two new pension Government Accounting Standards, *Statement No. 68 Accounting and Financial Reporting for Pensions* and *Statement No. 71 Pension Transition for Contributions made Subsequent to the Measurement Date – and amendment of GASB Statement No. 68* will become effective for fiscal years beginning after June 15, 2014 and are expected to have a material impact on the District’s financial statements.

**Note 14 – Compensated Absences**

The District accounts for compensated absences (e.g. unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16) “Accounting for Compensated Absences”. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits. Employees may accrue up to 30 vacation days and shall be paid for all unused and accrued vacation days upon termination. Employees may accrue up to 80 sick days which will be paid upon retirement only at the rate of one-half the prevailing salary for each day accrued. As of December 31, 2013, the liability for compensated absences in the governmental fund types was \$5,570.

**Note 15 – Long Term Obligations**

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

	<u>Principal</u> <u>Outstanding</u> <u>1/1/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>Principal</u> <u>Outstanding</u> <u>12/31/13</u>	<u>Due Within</u> <u>One Year</u>
Obligations under					
Capital Leases	\$ 399,800	\$ -0-	\$40,744	\$359,056	\$43,090

**Capital Leases Payable** - On February 8, 2010 the District entered into a capital lease agreement with Kansas State Bank of Manhattan to lease/purchase a 2008 Rosenbauer Fire Truck for \$474,750. The terms of the lease require annual principal and interest payments of \$63,771.88 to be paid in ten annual installments, beginning March 15, 2011 at a fixed interest rate of 5.760%.

**Jackson Township Fire District No. 2**  
**Notes to Financial Statements**  
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**Note 15 – Long Term Obligations (continued)**

**Capital Leases Payable (continued)**

The following schedule details the required lease payments:

Year Ending <u>March 15</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$43,090.26	\$20,681.62	\$63,771.88
2015	45,572.26	18,199.62	63,771.88
2016	48,197.22	15,574.66	63,771.88
2017	50,973.38	12,798.50	63,771.88
2018	53,909.45	9,862.43	63,771.88
Thereafter	<u>117,313.30</u>	<u>10,230.46</u>	<u>127,543.76</u>
Total	<u>\$359,055.87</u>	<u>\$87,347.29</u>	<u>\$446,403.16</u>

Interest expense for 2013 was \$23,028.

**Note 16 – Operating Lease**

On March 15, 2012, the District entered into a lease purchase agreement with Leaf Capital Funding, LLC to lease a Copystar CS 3050ci copier system for a term of 60 months at \$203 a month. The lease contains an end of lease purchase option at fair market value, plus taxes.

Future minimum lease payments under this lease are:

Year ending December 31:

2014	\$2,436
2015	2,436
2016	2,436
2017	<u>406</u>
	<u>\$ 7,714</u>

Rental expense for 2013 was approximately \$2,436.

**Note 17 – Subsequent Event**

In March of 2014, while in the process of renovating the office space, mold was discovered in several of the offices. To date, approximately \$6,500 has been spent on mold remediation and approximately \$16,000 has been spent on reconstruction work. Additional costs are expected for new carpet.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**PART II**

**BUDGETARY COMPARISON SCHEDULES**

Exhibit C-1

Jackson Township Fire District No. 2  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended December 31, 2013

Revenues	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Miscellaneous Anticipated Revenues					
Rental income	\$ 42,000	\$ -	\$ 42,000	\$ 61,362	\$ 19,362
Sales of assets	2,000	-	2,000	7,851	5,851
Interest on investments and deposits	1,500	-	1,500	1,232	(268)
Total Miscellaneous Anticipated Revenues	45,500	-	45,500	70,445	24,945
Operating Grant Revenue	4,648	-	4,648	3,257	(1,391)
Supplemental Fire Services Grant					
Miscellaneous Revenues Offset With Appropriations					
FEMA reimbursements	-	-	-	71,290	71,290
Fines and penalties	-	-	-	338	338
Other revenues	-	-	-	2,975	2,975
Total Miscellaneous Revenues Offset With Appropriations	-	-	-	74,603	74,603
Amount to be Raised by Taxation to Support the District Budget	1,009,160	-	1,009,160	1,009,160	-
Total Anticipated Revenues	1,059,308	-	1,059,308	1,157,465	98,157
<b>Total Revenues</b>	<b>1,059,308</b>	<b>-</b>	<b>1,059,308</b>	<b>1,157,465</b>	<b>98,157</b>

(Continued)



Jackson Township Fire District No. 2  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended December 31, 2013

Expenditures	Original Budget	Budget Transfers	Final Budget	Actual	Variance (Positive) Negative Final to Actual
Operating Appropriations					
Administration					
Salary and Wages	\$ 8,750	\$ -	\$ 8,750	\$ 8,308	\$ (442)
Commissioners	67,209	2,600	69,809	62,005	(7,804)
Secretary	27,518	(2,600)	24,918	23,872	(1,046)
Fringe benefits					
Other Expenses					
Elections	1,200	-	1,200	971	(229)
Membership/dues	300	-	300	-	(300)
Office expenses	3,000	1,300	4,300	4,205	(95)
Professional services	50,000	-	50,000	47,183	(2,817)
Travel expenses	200	-	200	-	(200)
Total Administration	158,177	1,300	159,477	146,544	(12,933)
Cost of Operations and Maintenance					
Salary and Wages	265,140	(37,300)	227,840	226,373	(1,467)
Firefighters	139,123	74,800	213,923	140,389	(73,534)
Fringe benefits					
Other Expenses					
Advertising	1,600	1,600	3,200	3,156	(44)
Insurance	85,000	(37,500)	47,500	84,879	37,379
Maintenance & repairs	90,000	17,800	107,800	107,753	(47)
Rental charges	18,000	2,300	20,300	16,520	(3,780)
Supplies expense	45,000	(20,700)	24,300	22,496	(1,804)
Training & education	20,000	-	20,000	18,986	(1,014)
Uniforms	20,000	1,300	21,300	21,290	(10)
Utilities	50,000	(2,300)	47,700	36,771	(10,929)
Other rentals	25,000	-	25,000	25,000	-
SFSG expenses	4,648	-	4,648	-	(4,648)
Contingent expenses	2,500	-	2,500	-	(2,500)
Joint District expenses	45,120	-	45,120	-	(45,120)
Other Assets - Non bondable	75,000	-	75,000	69,470	(5,530)
Total Cost of Operations and Maintenance	886,131	-	886,131	773,083	(113,048)

Exhibit C-1

Jackson Township Fire District No. 2  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended December 31, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance (Positive) Negative Final to Actual
<b>Expenditures (continued)</b>					
Operating Appropriations Offset with Revenues					
Salary and Wages	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Appropriations Offset with Revenues	-	-	-	-	-
Other Budgeted Appropriations	15,000	(1,300)	13,700	11,700	(2,000)
Length of Service Award Program					
Total Other Budgeted Appropriations	15,000	(1,300)	13,700	11,700	(2,000)
<b>Total Expenditures</b>	<u>1,059,308</u>	<u>-</u>	<u>1,059,308</u>	<u>931,327</u>	<u>(127,981)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ 226,138	\$ 226,138
Fund Balance, January 1				<u>198,542</u>	
Fund Balance, December 31				<u>\$ 424,680</u>	
Recapitulation:					
Unreserved Fund Balance				<u>\$ 424,680</u>	

**Jackson Township Fire District No. 2**  
**Note to Budgetary Comparison Schedule**  
**December 31, 2013**

**Note A. Budgets/ Budgetary Control**

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

The Commissioners must introduce and adopt 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 District. The public hearing must not be held less than twenty-eight days after the date the budget was approved. After the hearing has been held, the Commissioners may, by majority vote, adopt the budget.

Amendments may be made to the 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. Subsequent to the adoption of the District budget, the amount of money to be raised by taxation in support of the 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 District's basic fund financial statements.

Amounts reported under "final budget" on Exhibit C-1, D-2 and E-2 include modifications to the adopted budget that were made during the year as approved by the Commissioners.

**OTHER SUPPLEMENTARY INFORMATION**

**CAPITAL PROJECTS FUND**

Exhibit D-1

Jackson Township Fire District No. 2  
 Summary Statement of Project Expenditures  
 For the Year Ended December 31, 2013

<u>Issue/Project Title</u>	<u>Authorized Appropriations</u>		<u>Expenditures/Cancellations to Date</u>		<u>Unexpended Balance</u>
	<u>Date</u>	<u>Amount</u>	<u>Prior Years</u>	<u>Current Year</u>	
Building Improvements	12/28/2011	210,000	\$ 10,000	28,209	171,791
Roof Replacement	12/13/2007	35,000			35,000
Parking Lot Paving	12/13/2007	90,000	65,918	21,083	2,999
Curbing/Apron Replacement	12/13/2007	50,000			50,000
Total		\$ 385,000	\$ 75,918	\$ 49,292	\$ 259,790

Jackson Township Fire District No. 2  
 Budgetary Comparison Schedule  
 Capital Fund  
 For the Year Ended December 31, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance (Positive) Negative Final to Actual
<b>Revenues</b>					
Amount to be raised by taxation to Support the District Budget	\$ -	\$ -	\$ -	\$ -	\$ -
Interest earned	-	-	-	477	(477)
<b>Total Revenues</b>	-	-	-	477	(477)
<b>Expenditures</b>					
Capital expenditures	-	-	-	-	-
<b>Total Expenditures</b>	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	477	(477)
Fund balance January 1	-	-	-	717,579	(717,579)
Fund balance, December 31	\$ -	\$ -	\$ -	\$ 718,056	\$ (718,056)

**LONG-TERM DEBT**



Jackson Township Fire District No. 2  
 Schedule of Obligations Under Capital Leases  
 For the Year Ended December 31, 2013

Description	Date of Lease	Original Issue	Annual Principal Payments			Interest Rate	Balance Jan. 1, 2013	Retired	Balance Dec. 31, 2013
			Date	Amount	Additions				
2008 Fire Truck	2/8/10	\$ 474,750	03/15/14	\$ 43,090	\$ -	5.76%	\$ 399,800	\$ 40,744	\$ 359,056
			03/15/15	45,572	\$ -		\$ 399,800	\$ 40,744	\$ 359,056
			03/15/16	48,197					
			03/15/17	50,973					
			03/15/18	53,909					
		Thereafter	117,315						
			\$ 359,056						

Exhibit E-2

Jackson Township Fire District No. 2  
 Budgetary Comparison Schedule  
 Debt Service Fund  
 For the Year Ended December 31, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<b>Revenues</b>					
Amount to be raised by taxation to Support the District Budget	\$ 63,771	\$ -	\$ 63,771	\$ 63,771	\$ -
<b>Expenditures</b>					
Regular Debt Service					
Lease purchase interest	23,028	-	23,028	23,028	-
Lease purchase principal	40,743	-	40,743	40,743	-
Total Expenditures	63,771	-	63,771	63,771	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-
Fund balances, January 1	-	-	-	-	-
Fund balances, December 31	\$ -	\$ -	\$ -	\$ -	\$ -

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**Jackson Township Fire District No. 2  
Schedule of Findings and Recommendations  
For the Year Ended December 31, 2013**

**Schedule of Financial Statement Findings**

NONE

**Jackson Township Fire District No. 2  
Schedule of Prior Year  
Findings and Recommendations  
For the Year Ended December 31, 2013**

**Schedule of Prior Year Financial Statement Findings**

**Condition:** Cash receipts were not always being stamped or otherwise marked with the date received. Therefore, it was not possible to determine whether they were deposited within 48 hours.

**Status:** Corrected

