

**TOWNSHIP OF WASHINGTON
FIRE DISTRICT NO. 1
FINANCIAL STATEMENTS
DECEMBER 31, 2012**

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
CONTENTS TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

	<u>Page</u>
Managements' Discussion and Analysis	1-5
Independent Auditor's Report	6-7
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	8-9
<u>Basic Financial Statements</u>	
Statement of Net Assets and Governmental Funds Balance Sheet December 31, 2012 and 2011	10-11
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance For the Years Ended December 31, 2012 and 2011	12-13
Notes to Basic Financial Statements	14-20
<u>Required Supplementary Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual For the Years Ended December 31, 2012 and 2011	21-24
Notes to Required Supplementary Information	25
<u>Other Schedules</u>	
Statistical Information For the Year Ended December 31, 2012	26
Roster of Officials For the Year Ended December 31, 2012	27
Comments and Recommendations For the Year Ended December 31, 2012	28

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
P.O. BOX 152
WASHINGTON, NJ 07882

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Township of Washington Fire District No. 1's financial performance provides an overview of the District's financial activities for the year ended December 31, 2012.

The District provides funding for emergency services and the fire prevention bureau to an eighteen square mile area of Washington Township. The population of the District is approximately six thousand. The District is a separate government body (not part of the Township of Washington) known as a Special District and is governed by an elected board of five citizens. This section of the District's financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2012.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the District as a whole and present longer-term view of the District's finances. For governmental activities, these statements tell how district services were financed in the short term as well as what remains for future spending. 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. The remaining statements provide financial information about activities for which the District acts solely as a Board for the benefit of those outside of the government.

Reporting on the District as a Whole

The Statement of Net Assets and the Statement of Activities

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 Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answers 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 year's current 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. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base and the condition of the District's equipment to assess the overall health of the District.

In the Statement of Net Assets and the Statement of Activities are the General Fund activities where most of the District's basic services are reported. Property tax levies and municipal assistance primarily finance most of these activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by the State law and by bond covenants.

General funds – All of the District's basic services are reported in general funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The general fund statements provide a detailed short-term view of the District's general government 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. We describe the relationship (or differences) between general fund activities (reported in the Statement of Net Assets and the Statement of Activities) and capital funds in reconciliation at the bottom of the fund financial statements.

Governmental Funds

Washington Township Fire District No. 1's activities are all reported in governmental funds. These funds record the flow of cash in and out of the District during the period and the balances remaining at year end for future periods. The modified accrual basis of accounting is utilized for reporting purposes. This method of accounting measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services that it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's services.

Washington Township Fire District No. 1 maintains two separate government funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund and the capital fund.

As required by N.J.S.A. 40A:14:78-3, Washington Township Fire District No. 1 adopts an annual budget which is voted on by the legal voters of the District. Budgetary comparison schedules have been prepared to document compliance with budgetary requirements.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements are an integral part of the financial statements.

The District as a Board

Reporting the District's Fiduciary Responsibilities

The District is a board of commissioners formed to serve the residents, business community and visitors of Washington Township by providing adequately funded fire prevention and protection in the community. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

THE DISTRICT AS A WHOLE

For the year ended December 31, 2012, net assets, budgetary basis, changed as follows:

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>
Beginning net assets	\$243,526	\$190,000	\$433,526
Increase(decrease) in net assets	<u>77,586</u>	<u>(40,000)</u>	<u>37,586</u>
Ending net assets	<u>\$321,112</u>	<u>\$150,000</u>	<u>\$471,112</u>

Governmental Activities

General Fund is mainly to provide fire protection to its residents, educate the public as to fire prevention and precaution and to train qualified personnel.

Capital fund is mainly to provide for the acquisition or construction of fire equipment or facilities.

All other government revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

DIRECT-WIDE FINANCIAL ANALYSIS

Washington Township Fire District No. 1's net assets, GAAP basis, are a useful indicator of the District's financial condition. At the end of 2012 the District's assets, GAAP basis, exceeded the liabilities by approximately \$1,165,000.

Statement of Net Assets

WASHINGTON TOWNSHIP FIRE DISTRICT NO. 1
NET ASSETS
DECEMBER 31, 2012

Current and Other Assets	\$ 556,903
Capital Assets	<u>693,407</u>
Total Assets	1,250,310
Other Liabilities	<u>(85,791)</u>
Net Assets	<u>\$1,164,519</u>

Analysis of Net Assets

Invested in Capital Assets Net of Accumulated Depreciation	\$ 693,407
Unrestricted	<u>471,112</u>
Total Net Assets	<u>\$1,164,519</u>

The net assets, GAAP basis, of Washington Township Fire District No. 1 increased approximately \$379,000 during the 2012 period. During 2005, the District implemented GASB 34. One requirement of this pronouncement was the adoption of a fixed asset management plan, including a depreciation policy.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Governmental Activities

The Statement of Activities, budgetary basis, shows the cost of the governmental activities program services and the charges for services offsetting these costs. A summary of these activities follows:

Program Expenses	
Administrative Expenses	\$ 73,721
Cost of Operations	<u>373,649</u>
Total Program Expenses	<u>447,370</u>
General Revenues	
Property Taxes Levied for General Purposes	464,361
Other Income	<u>20,595</u>
Total General Revenue	<u>484,956</u>
Increase in Net Assets	37,586
Net Assets, January 1	<u>433,526</u>
Net Assets, December 31	<u>\$ 471,112</u>

In 2012 the property tax revenue constituted 96% of the total government activities revenue received by Washington Township Fire District No.1.

The Cost of Operations in 2012 was 84% of the District's total expenses. Administration expenses equaled 16% of the total expenses.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

Washington Fire District No. 1 uses fund accounting to document compliance with finance-related legal requirements.

Government Fund

The primary objective of the District's governmental funds is to report on cash flows in and out during the period and the ending balances of the spendable resources. This information is useful to evaluate the performance of the District and to assess its future needs and available resources.

As of December 31, 2012, the balance of the government cash funds of Washington Township Fire District No. 1 was approximately \$321,000. This balance is approximately \$77,000 higher than last year's governmental cash funds balance. The general fund funded \$60,000 for future capital expenditures and operated at a deficit during the year.

The combined balance of the governmental funds, budgetary basis, of Washington Township Fire District No. 1 was approximately \$471,000, which is all unreserved. A further breakdown of the unreserved fund balance includes \$312,561 designated for the 2012 budget period.

The general fund is the main operating fund of Washington Township Fire District No. 1. At the end of 2012, the total fund balance, budgetary basis, of the general fund was \$321,112. Of this balance, \$8,551 was undesignated.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

During 2012 the general fund balance, budgetary basis, of Washington Township Fire District No. 1 increased by approximately \$77,000.

At the end of 2012, the District had a capital projects fund balance of \$150,000. The change in this fund balance was a capital appropriation transfer from the general fund of \$60,000 and an expense of \$100,000 for the purchase of fire vehicle.

General Fund Budgetary Highlights

The 2012 budget is a balanced budget. The Commissioners decided to anticipate \$60,000 of accumulated surplus and use those funds for the future purchase of equipment.

Over the course of the year, the Board revised the General Fund budget. This budget amendment was a transfer within appropriations as a result of over expending some line items.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At year-end, the District had \$610,270 invested in capital assets, which represents the purchase or acquisition of assets as follows:

Vehicles acquired from Township at no cost, reported at fair market value	\$120,000
Vehicles purchased from Township at cost	35,000
Vehicles and Equipment purchased through budget	<u>828,666</u>
Total	<u>\$983,666</u>

Debt

At year- end, the District had no debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

An increase in district taxes has been approved and revenue for fees and penalties has been anticipated for next year. The general fund budget was determined based on these increases.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our District's citizens, taxpayers 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 District secretary's office at 196 Washburn Avenue, Washington, NJ.

Board of Fire Commissioners

URBAN AND JINKS, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

ONE MOUNTAIN BOULEVARD
WARREN, NEW JERSEY 07059

(908) 756-8700
FAX (908) 756-5838

E-MAIL: URBANJINKS@MSN.COM

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Township of Washington Fire District No. 1
Warren County, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Township of Washington Fire District No. 1, in the County of Warren, State of New Jersey, as of and for the years ended December 31, 2012 and 2011, 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 representation 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 evidence about amount 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 government activities, and each major fund of the Township of Washington Fire District No. 1, in the County of Warren, State of New Jersey as of December 31, 2012 and 2011, and the respective changes in financial position thereof for the years 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 Washington Fire District No. 1'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 September 25, 2013 on our consideration of the Township of Washington Fire District No. 1's internal control over financial reporting and our tests of 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 Washington Fire District No. 1's internal control over financial reporting and compliance.

Urban And Jinks, P.A.

September 25, 2013

URBAN AND JINKS, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

ONE MOUNTAIN BOULEVARD
WARREN, NEW JERSEY 07059

(908) 756-8700
FAX (908) 756-5838

E-MAIL: URBANJINKS@MSN.COM

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

Board of Fire Commissioners
Township of Washington Fire District No. 1
Warren County, New Jersey

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 Washington Fire District No. 1, in the county of Warren, State of New Jersey, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise Fire District's basic financial statements, and have issued our report thereon dated September 25, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township of Washington Fire District No. 1, in the county of Warren, State of New Jersey'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 Washington Fire 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. 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 Washington Fire District No. 1, in the county of Warren , State of New Jersey's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulation, 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.

Urban And Jinks, P.A.

September 25, 2013

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
COUNTY OF WARREN
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2012

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Assets</u>
ASSETS					
Current Assets:					
Cash	\$ 549,351	\$ -	\$ 549,351	\$ -	\$ 549,351
Accounts Receivable	-	-	-	-	-
Prepaid Expenses	7,552	-	7,552	-	7,552
Interfund Receivable	-	150,000	150,000	(150,000)	-
Total Current Assets	<u>556,903</u>	<u>150,000</u>	<u>706,903</u>	<u>(150,000)</u>	<u>556,903</u>
Capital Assets, Net	-	-	-	693,407	693,407
TOTAL ASSETS	<u>\$ 556,903</u>	<u>\$ 150,000</u>	<u>\$ 706,903</u>	<u>\$ 543,407</u>	<u>\$ 1,250,310</u>
LIABILITIES					
Current Liabilities:					
Reserve for Encumbrances	\$ 11,500	\$ -	\$ 11,500	\$ -	\$ 11,500
Accounts Payable	70,293	-	70,293	-	70,293
Payroll Taxes and Deductions Payable	3,998	-	3,998	-	3,998
Interfund Payable	150,000	-	150,000	(150,000)	-
Total Current Liabilities	<u>235,791</u>	<u>-</u>	<u>235,791</u>	<u>(150,000)</u>	<u>85,791</u>
FUND BALANCES AND NET ASSETS					
Fund Balances:					
Unreserved:					
Designated for Subsequent Years' Expenditures	\$ 312,561	\$ -	\$ 312,561	\$ (312,561)	\$ -
Undesignated	8,551	150,000	158,551	(158,551)	-
Total Fund Balances	<u>321,112</u>	<u>150,000</u>	<u>471,112</u>	<u>(471,112)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 556,903</u>	<u>\$ 150,000</u>	<u>\$ 706,903</u>		
Net Assets:					
Invested in Capital Assets, Net				693,407	693,407
Unreserved				471,112	471,112
TOTAL NET ASSETS				<u>\$ 1,164,519</u>	<u>\$ 1,164,519</u>

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

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
COUNTY OF WARREN
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2011

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Assets</u>
ASSETS					
Current Assets:					
Cash	\$ 544,392	\$ -	\$ 544,392	\$ -	\$ 544,392
Accounts Receivable	-	-	-	-	-
Prepaid Insurance	7,171	-	7,171	-	7,171
Interfund Receivable	-	190,000	190,000	(190,000)	-
Total Current Assets	<u>551,563</u>	<u>190,000</u>	<u>741,563</u>	<u>(190,000)</u>	<u>551,563</u>
Capital Assets, Net	-	-	-	352,060	352,060
TOTAL ASSETS	<u>\$ 551,563</u>	<u>\$ 190,000</u>	<u>\$ 741,563</u>	<u>\$ 162,060</u>	<u>\$ 903,623</u>
LIABILITIES					
Current Liabilities:					
Reserve for Encumbrances	\$ 11,500	\$ -	\$ 11,500	\$ -	\$ 11,500
Accounts Payable	103,668	-	103,668	-	103,668
Payroll Taxes and Deductions Payable	2,869	-	2,869	-	2,869
Interfund Payable	190,000	-	190,000	(190,000)	-
Total Current Liabilities	<u>308,037</u>	<u>-</u>	<u>308,037</u>	<u>(190,000)</u>	<u>118,037</u>
FUND BALANCES AND NET ASSETS					
Fund Balances:					
Unreserved:					
Designated for Subsequent Years' Expenditures	\$ 234,975	\$ -	\$ 234,975	\$ (234,975)	\$ -
Undesignated	8,551	190,000	198,551	(198,551)	-
Total Fund Balances	<u>243,526</u>	<u>190,000</u>	<u>433,526</u>	<u>(433,526)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 551,563</u>	<u>\$ 190,000</u>	<u>\$ 741,563</u>		
Net Assets:					
Invested in Capital Assets, Net				352,060	352,060
Unreserved				<u>433,526</u>	<u>433,526</u>
TOTAL NET ASSETS				<u>\$ 785,586</u>	<u>\$ 785,586</u>

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

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
COUNTY OF WARREN
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures:					
Operating Appropriations	\$ 347,370	\$ 100,000	\$ 447,370	\$ (341,347)	\$ 106,023
General Revenues:					
District Taxes	464,361	-	464,361	-	464,361
Miscellaneous	20,595	-	20,595	-	20,595
Total General Revenues	<u>484,956</u>	<u>-</u>	<u>484,956</u>	<u>-</u>	<u>484,956</u>
Transfers - Reserve for Future Capital Outlays	<u>(60,000)</u>	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Revenues and Transfers	<u>424,956</u>	<u>60,000</u>	<u>484,956</u>	<u>-</u>	<u>484,956</u>
Excess (Deficiency) of Revenues Over Expenditures	77,586	(40,000)	37,586	341,347	378,933
Fund Balances, January 1	<u>243,526</u>	<u>190,000</u>	<u>433,526</u>	<u>352,060</u>	<u>785,586</u>
Fund Balances, December 31	<u>\$ 321,112</u>	<u>\$ 150,000</u>	<u>\$ 471,112</u>	<u>\$ 693,407</u>	<u>\$ 1,164,519</u>

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

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
COUNTY OF WARREN
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures:					
Operating Appropriations	\$ 393,723	\$ -	\$ 393,723	\$ 22,714	\$ 416,437
General Revenues:					
District Taxes	454,617	-	454,617	-	454,617
Miscellaneous	25,739	-	25,739	-	25,739
Total General Revenues	<u>480,356</u>	<u>-</u>	<u>480,356</u>	<u>-</u>	<u>480,356</u>
Transfers - Reserve for Future Capital Outlays	<u>(60,000)</u>	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Revenues and Transfers	<u>420,356</u>	<u>60,000</u>	<u>480,356</u>	<u>-</u>	<u>480,356</u>
Excess (Deficiency) of Revenues Over Expenditures	26,633	60,000	86,633	(22,714)	63,919
Fund Balances, January 1	<u>216,893</u>	<u>130,000</u>	<u>346,893</u>	<u>374,774</u>	<u>721,667</u>
Fund Balances, December 31	<u>\$ 243,526</u>	<u>\$ 190,000</u>	<u>\$ 433,526</u>	<u>\$ 352,060</u>	<u>\$ 785,586</u>

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

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1 – Summary of Significant Accounting Policies:

The accounting policies of the Board of Fire Commissioners (Board) of the Township of Washington Fire District No. 1, Warren County, (District) conform to the accounting principles applicable to special districts which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. For the years ended December 31, 2012 and 2011 the financial statements of the Township of Washington Fire District No. 1 have been prepared in conformity with generally accepted accounting principles (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. Beginning with the year ended December 31, 2004 the District implemented the new financial reporting requirements of GASB 34. As a result, an entirely new financial presentation format has been presented. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District was organized December 6, 2003 as an instrumentality of a political subdivision of the State of New Jersey, established to function as a special district. The Board of Fire Commissioners consists of elected officials and is responsible for the fiscal control of the District.

The primary criterion for including activities within the District's reporting entity, as set forth in section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the District over which the board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation

Combined Fund and Government-wide Financial Statements

As a special purpose governmental entity engaged in a single governmental program the District has opted to present its financial data in the form of combined fund and government-wide financial statements to simplify their annual financial reporting process.

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types". The District does not maintain any proprietary or fiduciary funds.

Governmental Fund Types

General Fund: The general fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund.

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1 – Summary of Significant Accounting Policies (Cont'd):

B. Basis of Presentation (Cont'd)

Governmental Fund Types (Cont'd)

Capital Fund: The Capital Fund is used to account for all financial resources to be used for the acquisition or construction of major capital assets.

In conformity with GASB 34, the District's combined fund and government-wide financial statements present adjustments to reconcile the general and capital fund balances to net assets.

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Basis of Accounting

Fund Basis of Accounting

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

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 year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount, if any, is considered to be an "accounts Receivable".

Government-wide Basis of Accounting

The government-wide statements are presented using the accrual basis of accounting. Under the full accrual basis, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenue, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

D. Budgets/Budgetary Control

Annual budgets are prepared each year for the operations of the fire district. The budgets are approved by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The budgets are then voted upon by the public.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and the fund basis of accounting previously described. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at the end of the subsequent year.

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1 – Summary of Significant Accounting Policies (Cont'd):

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. Open encumbrances in governmental funds 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 service.

The encumbered appropriation authority carries over into the following 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 as of the current year end.

F. Fixed Assets

In the fund financial statements, fixed assets used in governmental operations are accounted for as expenditures of the government fund upon acquisition.

In the government-wide basis of accounting, fixed assets are accounted for as capital assets. The District generally capitalizes assets with a cost of \$1,000 or more as outlays occur. All fixed assets are valued at fair market value as of date acquired, historical cost or estimated historical cost if actual is unavailable.

Depreciation of all fixed assets is recorded as an operating expense in the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance with accumulated depreciation reflected in the Statement of Net Assets and Governmental Funds Balance Sheet. Depreciation is provided over the assets' estimated useful lives using the straight line method of depreciation, generally 5 years for fire fighting equipment, 10 years for general purpose vehicles and 20 years for fire fighting vehicles.

G. Interfund Transactions and Balances

Transfers are used to move revenue from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Transfers between the general and capital fund of the District net to zero on the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances.

During the course of operation, transactions occur between individual funds that may result in amounts owed between funds. Those loans are reported as interfund receivables and payables on the fund basis of accounting. Interfund payables and receivables between funds are eliminated in the Statement of Net Assets and Governmental Funds Balance Sheet.

H. Fund Equity

Fund Basis

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1 – Summary of Significant Accounting Policies (Cont'd):

H. Fund Equity (Cont'd)

Government-wide Basis

Equity is classified as net assets and is displayed in three components:

- a. Invested in capital assets, net- Consists of capital assets, net of accumulated depreciation.
- b. Restricted for capital acquisitions- Current balance consists of net assets restricted to the acquisition of a fire truck.
- c. Unrestricted net assets- All net assets that do not meet the definition of “invested in capital assets, net” or “restricted”.

Note 2 – Adjustments to Arrive at Net Assets:

A. Capital Assets and Net Assets Invested in Capital Assets

For the years ended December 31, 2012 and 2011, capital assets, net and net assets invested in capital assets in the amount of \$693,407 and \$352,060, respectfully, have been included in the government-wide presentation.

B. Fund Balances, Unrestricted Net Assets and Net Assets Restricted for Capital Acquisitions

For the year ended December 31, 2012 and 2011, fund balances in the amount of \$321,112 and \$243,526, respectfully, have been eliminated.

C. Interfund Receivables and Payables

For the years ended December 31, 2012 and 2011, interfund receivable and payables in the amount of \$150,000 and \$190,000, respectfully have been eliminated in arriving at the government-wide presentation.

Note 3 – Adjustments to Arrive at the Change in Net Assets:

A. Operating Appropriations

For the years ended December 31, 2012 and 2011, depreciation expense in the amount of \$32,049 and \$22,714 has been included in the government-wide presentation.

Note 4 – Deposits and Investments:

New Jersey statues permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (“FDIC”), or by any other agency of the United States that insures deposits or the State of New Jersey Cash Management Fund. New Jersey statues require public depositories to maintain collateral for deposit of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5 percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. The State of New Jersey Cash Management Fund is authorized by statue and regulations of the State Investment Council to invest in fixed income and debt securities which mature within one year. Collateralization of fund investments is generally not required.

**TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

Note 4 – Deposits and Investments (Cont'd):

The cash on deposit is partially insured by federal deposit insurance in the amount of \$100,000 in each depository. Balances above the federal deposit insurance amount are insured by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., which insures all New Jersey governmental units' deposits in excess of the federal deposit insurance maximums. Cash as determined by the Board of Commissioners consists of all bank accounts and includes certificates of deposits.

Investments

New Jersey statutes establish the following securities as eligible for the investment of District Funds:

- (a) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (b) Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Associates or of any United State Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- (c) Bonds or other obligations of the District or bonds or other Obligations of school districts of which the District is a part or within which the school district is located.
- (d) Bonds or other obligations, having a maturity date of not more than twelve months from the date of purchases, that are approved by the New Jersey Department of Treasury, Division of Investments.
- (e) Qualified mutual funds with portfolios limited to (i) bonds or other obligations of, or guaranteed by, the United State of America; and (ii) repurchase agreements fully collateralized by such obligations. These investments must be transacted only through national or state banks located within New Jersey.

During the year, the District had none of its idle funds invested in repurchase agreements collateralized by eligible securities. At the close of the year, no such investments were held by the District.

As of December 31, the District's cash accounts consisted of:

	<u>2012</u>	<u>2011</u>
Checking Account	\$ 16,953	\$ 28,107
Money Market Account	531,971	516,259
Petty Cash	<u>427</u>	<u>250</u>
Total Cash In Bank	<u>\$549,351</u>	<u>\$544,392</u>

The carrying amount of the District's cash at December 31, 2012 and 2011 was \$549,351 and \$544,392, respectively, and the bank balance was \$552,766 and \$436,122, respectively. All of the balance was covered by federal depository insurance.

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 5 – Assessment and Collection of Money Authorized By Voters:

Upon proper certification pursuant to Section 9 of P.L. 1979 c. 453 (C.40[A]:14-78.5), the assessor of the municipality, in which the fire district is situated, shall assess the amount to be raised by taxation to support the district budget against the taxable property therein, in the same manner as municipal taxes are assessed and the same amount shall be assessed, levied and collected at the same time and in the same manner as other municipal taxes.

The collector or treasurer of the municipality, in which said district is situated, shall pay over all moneys so assessed to the treasurer or custodian of funds of said fire district as follows; on or before April 1, an amount equaling 21.25% of all moneys so assessed; on or before July 1, an amount equaling 22.5% of all monies so assessed; on or before October 1, an amount equaling 25% of all monies so 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 such monies previously paid over, to be held and expended for the purpose of providing and maintaining means for extinguishing fires in such district.

Notwithstanding anything herein to the contrary, the municipal governing body may authorize, in the cash management plan adopted by it pursuant to N.J.S. 40A:5-14, a schedule of payments of fire districts moneys by which an amount greater than required on any of the first three payment dates cited herein may be paid over. The municipal governing body and board of fire commissioners may, by concurrent resolution, adopt a schedule of payments of fire district moneys by which an amount less than required in any of the first three payments dates, cited herein may be paid over. Such resolution shall be included in the cash management plan adopted by the municipal governing body pursuant to N.J.S. 40A:5-14.

The commissioners may also pay back, or cause to be paid back to such municipality, any funds or any part thereof paid to the treasurer or custodian of funds of such fire district by the collector or treasurer of the municipality, representing taxes levied for fire district purposes but not actually collected in cash by said collector or treasurer.

Note 6 – Funding:

The activities of the Township of Washington Fire District No. 1 are primarily funded by the striking of a fire tax on the property owners of the Fire District, as provided for by state statute. For the years ended December 31, 2012 and 2011, the fire tax rate for Fire District No. 1 was \$0.06700 and \$0.06420 per \$100 of assessed valuation, respectfully.

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 7 – Capital Assets:

The following schedule is a summarization of the capital assets by source for the years ended December 31, 2012 and 2011:

	<u>Expenditures</u>	<u>Acquired No Cost (FMV)</u>	<u>Balance as of Dec. 31, 2011</u>	<u>2012 Additions</u>	<u>Balance as of Dec. 31, 2012</u>
Equipment	\$ 997	\$ --	\$ 997	\$ --	\$ 997
Truck & Vehicles	<u>489,273</u>	<u>120,000</u>	<u>609,273</u>	<u>373,396</u>	<u>982,669</u>
	490,270	120,000	610,270	373,396	983,666
Less: Accumulated Depreciation	<u>138,210</u>	<u>120,000</u>	<u>258,210</u>	<u>32,049</u>	<u>290,259</u>
Net	<u>\$352,060</u>	<u>\$ --</u>	<u>\$352,060</u>	<u>\$341,347</u>	<u>\$693,407</u>

Depreciation expense for each of the years ended December 31, 2012 and 2011 was \$32,049 and \$22,714.

Note 8 – Rental Charges:

The District contracts with the volunteer fire company to lease the premises and some of the equipment on a yearly basis. The volunteer fire company owns both the equipment and premises. The total rental charge for each of the years 2012 and 2011 was \$62,072 and \$61,396.

Note 9 – Risk Management:

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Settlements have not exceeded coverage in the past year. There have been no significant reductions in coverage from the prior year.

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
COUNTY OF WARREN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012

	Total Actual Amounts				GAAP Basis	Budgeted Amounts		Budgetary Variance
	Governmental Fund Type		Budgetary Basis	Adjustments Note B		Original	Final	
	General Fund	Capital Fund						
Revenues:								
District Taxes	\$ 464,361	\$ -	\$ 464,361	\$ -	\$ 464,361	\$ 464,361	\$ 464,361	\$ -
Miscellaneous Income	20,595	-	20,595	-	20,595	25,505	25,505	(4,910)
Total Revenues	484,956	-	484,956	-	484,956	489,866	489,866	(4,910)
Fund Balance Utilized								
Reserved Fund Balance	-	-	-	-	-	100,000	100,000	(100,000)
Transfers - Reserve for Future								
Capital Outlay	(60,000)	60,000	-	-	-	-	-	-
Total General Revenues and Transfers	424,956	60,000	484,956	-	484,956	589,866	589,866	(104,910)
Expenditures:								
Operating Appropriations:								
Administration:								
Salary and Wages:								
Commissioners	9,200	-	9,200	-	9,200	9,430	9,430	230
Fire Official	17,154	-	17,154	-	17,154	16,605	17,155	1
Total Salary and Wages	26,354	-	26,354	-	26,354	26,035	26,585	231
Other Expenses:								
Legal	4,884	-	4,884	-	4,884	4,000	4,900	16
Advertising	248	-	248	-	248	4,000	600	352
Election	552	-	552	-	552	2,000	2,000	1,448
Audit and Accounting	7,400	-	7,400	-	7,400	5,638	7,438	38
Office Supplies and Postage	1,971	-	1,971	-	1,971	2,590	2,590	619
Insurance	12,492	-	12,492	-	12,492	56,439	25,439	12,947
Service Award Program	19,820	-	19,820	-	19,820	40,000	40,000	20,180
Total Other Expenses	47,367	-	47,367	-	47,367	114,667	82,967	35,600
Total Administration	73,721	-	73,721	-	73,721	140,702	109,552	35,831

See Independent Auditors' Report

The Notes to Required Supplementary Information are an integral part of this schedule.

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
COUNTY OF WARREN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CONT'D)
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012

	Total Actual Amounts		Budgetary Basis	Adjustments Note B	GAAP Basis	Budgeted Amounts		Budgetary Variance
	Governmental Fund Type					Original	Final	
	General Fund	Capital Fund						
Cost of Operations:								
Payroll Taxes	\$ 1,261	\$ -	\$ 1,261	\$ -	\$ 1,261	\$ 4,000	\$ 4,000	\$ 2,739
Other Expenses:								
Building Rental	54,572	-	54,572	-	54,572	52,568	52,568	2,004
Fire Hydrant Rentals	64,743	-	64,743	-	64,743	67,188	67,188	2,445
Truck Maintenance	21,429	-	21,429	-	21,429	36,844	36,844	15,415
Equipment Testing	5,156	-	5,156	-	5,156	9,017	9,017	3,861
Vehicle Leases	47,868	-	47,868	-	47,868	48,000	48,000	132
Truck Fuel	5,356	-	5,356	-	5,356	6,150	6,150	794
Training	339	-	339	-	339	13,940	13,940	13,601
Equipment Repair	7,572	-	7,572	-	7,572	8,475	8,475	903
Telephone	8,532	-	8,532	-	8,532	4,993	8,743	211
Fire Prevention	4,337	-	4,337	-	4,337	4,200	4,350	13
OSHA	-	-	-	-	-	11,031	7,281	7,281
Dues and Subscriptions	300	-	300	-	300	411	411	111
Contingent Expenses	639	-	639	-	639	1,560	1,560	921
Other Deferred Charges	-	-	-	-	-	-	-	-
Purchases of Assets Not Capital Outlays	51,545	-	51,545	-	51,545	20,787	51,787	242
Purchases of Capital Outlays	-	100,000	100,000	(373,396)	(273,396)	100,000	100,000	-
Depreciation	-	-	-	32,049 (1)	32,049	-	-	-
Total Other Expenses	<u>272,388</u>	<u>100,000</u>	<u>372,388</u>	<u>(341,347)</u>	<u>31,041</u>	<u>385,164</u>	<u>416,314</u>	<u>47,934</u>
Total Cost of Operations	<u>273,649</u>	<u>100,000</u>	<u>373,649</u>	<u>(341,347)</u>	<u>32,302</u>	<u>389,164</u>	<u>420,314</u>	<u>50,673</u>
Total Operating Expenditures	347,370	100,000	447,370	(341,347)	106,023	529,866	529,866	86,504
Reserve for Future Capital Outlay	-	-	-	-	-	60,000	60,000	60,000
Total Expenditures	<u>347,370</u>	<u>100,000</u>	<u>447,370</u>	<u>(341,347)</u>	<u>106,023</u>	<u>589,866</u>	<u>589,866</u>	<u>146,504</u>
Excess of Revenues Over Expenditures	77,586	(40,000)	37,586	\$ 341,347	\$ 378,933	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,594</u>
Fund Balance, January 1	<u>243,526</u>	<u>190,000</u>	<u>433,526</u>	<u>352,060</u>	<u>785,586</u>			
Fund Balance, December 31	<u>\$ 321,112</u>	<u>\$ 150,000</u>	<u>\$ 471,112</u>	<u>\$ 693,407 (2)</u>	<u>\$ 1,164,519</u>			

See Independent Auditors' Report.

The Notes to Required Supplementary Information are an integral part of this statement.

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
COUNTY OF WARREN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011

	Total Actual Amounts				GAAP Basis	Budgeted Amounts		Budgetary Variance
	Governmental Fund Type		Budgetary Basis	Adjustments Note B		Original	Final	
	General Fund	Capital Fund						
Revenues:								
District Taxes	\$ 454,617	\$ -	\$ 454,617	\$ -	\$ 454,617	\$ 454,567	\$ 454,567	\$ 50
Miscellaneous Income	25,739	-	25,739	-	25,739	25,505	25,505	234
Total Revenues	480,356	-	480,356	-	480,356	480,072	480,072	284
Transfers - Reserve for Future								
Capital Outlay	(60,000)	60,000	-	-	-	-	-	-
Total General Revenues and Transfers	420,356	60,000	480,356	-	480,356	480,072	480,072	284
Expenditures:								
Operating Appropriations:								
Administration:								
Salary and Wages:								
Commissioners	9,200	-	9,200	-	9,200	9,430	9,430	230
Fire Official	15,694	-	15,694	-	15,694	16,605	16,605	911
Total Salary and Wages	24,894	-	24,894	-	24,894	26,035	26,035	1,141
Other Expenses:								
Legal	3,859	-	3,859	-	3,859	4,000	4,000	141
Advertising	2,261	-	2,261	-	2,261	4,000	4,000	1,739
Election	522	-	522	-	522	2,000	900	378
Audit and Accounting	6,650	-	6,650	-	6,650	5,638	6,738	88
Office Supplies and Postage	1,038	-	1,038	-	1,038	2,590	2,590	1,552
Insurance	34,107	-	34,107	-	34,107	56,439	36,439	2,332
Service Award Program	40,000	-	40,000	-	40,000	40,000	40,000	-
Total Other Expenses	88,437	-	88,437	-	88,437	114,667	94,667	6,230
Total Administration	113,331	-	113,331	-	113,331	140,702	120,702	7,371

See Independent Auditors' Report.

The Notes to Required Supplementary Information are an integral part of this statement.

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
COUNTY OF WARREN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CONT'D)
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011

	Total Actual Amounts				GAAP Basis	Budgeted Amounts		Budgetary Variance
	Governmental Fund Type		Budgetary Basis	Adjustments Note B		Original	Final	
	General Fund	Capital Fund						
Cost of Operations:								
Payroll Taxes	\$ 728	\$ -	\$ 728	\$ -	\$ 728	\$ 4,000	\$ 4,000	\$ 3,272
Other Expenses:								
Building Rental	53,896	-	53,896	-	53,896	52,568	52,568	1,328
Fire Hydrant Rentals	67,398	-	67,398	-	67,398	67,188	67,488	90
Truck Maintenance	19,671	-	19,671	-	19,671	27,050	27,050	7,379
Equipment Testing	4,824	-	4,824	-	4,824	9,017	9,017	4,193
Vehicle Leases	47,868	-	47,868	-	47,868	48,000	48,000	132
Truck Fuel	7,785	-	7,785	-	7,785	6,150	7,950	165
Training	7,150	-	7,150	-	7,150	13,940	7,240	90
Equipment Repair	10,023	-	10,023	-	10,023	8,475	10,275	252
Telephone	9,091	-	9,091	-	9,091	4,993	9,193	102
Fire Prevention	4,860	-	4,860	-	4,860	4,200	5,000	140
OSHA	-	-	-	-	-	11,031	1,031	1,031
Dues and Subscriptions	300	-	300	-	300	411	411	111
Contingent Expenses	-	-	-	-	-	1,560	1,560	1,560
Other Deferred Charges	-	-	-	-	-	-	-	-
Purchases of Assets Not Capital Outlays	46,798	-	46,798	-	46,798	20,787	48,587	1,789
Purchases of Capital Outlays	-	-	-	-	-	-	-	-
Depreciation	-	-	-	22,714 (1)	22,714	-	-	-
Total Other Expenses	279,664	-	279,664	22,714	302,378	275,370	295,370	18,362
Total Cost of Operations	280,392	-	280,392	22,714	303,106	279,370	299,370	21,634
Total Operating Expenditures	393,723	-	393,723	22,714	416,437	420,072	420,072	29,005
Reserve for Future Capital Outlay	-	-	-	-	-	60,000	60,000	60,000
Total Expenditures	393,723	-	393,723	22,714	416,437	480,072	480,072	89,005
Excess of Revenues Over Expenditures	26,633	60,000	86,633	\$ (22,714)	\$ 63,919	\$ -	\$ -	\$ 89,289
Fund Balance, January 1	216,893	130,000	346,893	374,774	721,667			
Fund Balance, December 31	\$ 243,526	\$ 190,000	\$ 433,526	\$ 352,060 (2)	\$ 785,586			

See Independent Auditors' Report.
The Notes to Required Supplementary Information are an integral part of this statement.

TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2012

Note A – Budgetary Basis of Accounting:

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its fire districts the entire balance of taxes in the amount voted upon or certified prior to the end of the year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount, if any, is considered to be an “accounts receivable”.

Note B – Budgetary-to-GAAP Reconciliation:

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

	Changes in Fund Balance	
	December 31,	
	2012	2011
(1) Depreciation expense is not record on the budgetary basis of accounting. For GAAP purposes, capitalized assets are depreciated on a straight line basis over their respective useful lives.	<u>\$ (32,049)</u>	<u>\$ (22,714)</u>
Net increase in fund balance- budget to GAAP	<u>\$ (32,049)</u>	<u>\$ (22,714)</u>
(2) The amount reported as “fund balance” on the budgetary basis of accounting is derived from the basis of accounting used in preparing the District’s budget. (See Note A for a description of the District’s budgetary accounting method.) This amount differs from the fund balance reported in the statement of revenues, expenditures and changes in fund balances because of the cumulative effect of transactions such as those described above.	<u>\$ (32,049)</u>	<u>\$ (22,714)</u>

Note C – Budgetary Cancellation:

Regulations allow the District to cancel unexpended appropriations before year end by resolution. During the years ended December 31, 2012 and 2011, the District canceled \$0 of appropriations.

**TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
 STATISTICAL INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2011**

Property Tax Levies

The following is a tabulation of district assessed valuations, tax levies and property tax rates per \$100 of assessed valuations for the current and preceding year:

<u>Fiscal Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rate</u>
2012	\$679,080,254	\$464,361	\$.0670
2011	\$680,382,573	\$454,617	\$.0642

Unreserved Fund Balance

General Fund:

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
December 31, 2012	\$321,112	\$ --
December 31, 2011	243,526	\$ --

Capital Fund:

<u>Fiscal Year Ended</u>	
December 31, 2012	150,000
December 31, 2011	190,000

**TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
ROSTER OF OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>Board of Fire Commissioners</u>		<u>Surety Bond Coverage (A)</u>
Chairman	Ralph Dorio	\$1,000,0000
Vice Chairman	Carl Shotwell	\$1,000,0000
Secretary	Karl Spolarich	\$1,000,0000
Treasurer	Margaret Tobin	\$2,000,0000
Assistant Secretary/ Treasurer	Matthew Noctor	\$1,000,0000

(A) Blanket bond coverage is provided by AAIC.

**TOWNSHIP OF WASHINGTON FIRE DISTRICT NO. 1
COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Scope of Examination and Conditions of Records

Our examination covered the funds handled by the Treasurer and Board Secretary for the Board of Fire Commissioners, Township of Washington Fire District No. 1.

The Financial records were maintained in satisfactory condition.

Minutes of Board meetings were properly maintained by the Board Secretary.

Cash in Banks

The balances in banks at December 31, 2012 were reconciled with statements issued by the depositories.

Examination of Claims

Claims paid during the period under review were examined on a test basis to determine if they are submitted on Board vouchers, itemized, signed by the officials as to approval for payment, allocated to the proper accounts and charged to the proper fiscal period and in agreement with bill list set forth in the approved minutes of the board.

Contracts and Agreements Required to be Advertised for N.J.S. 40A:11-4

N.J.S. 40A:11-4 state, "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public act or specified by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding the bid threshold except by contract or agreement". The threshold amount beginning July 1, 2005 was \$21,000. Prior to that date, the threshold was \$17,500.

The members of the Township of Washington Fire District No. 1 have the responsibility of determining whether any contract or agreement might result in violation of the statute and, when necessary, the Board Attorney's opinion should be sought before a commitment is made.

The results of our examination indicated that no individual payments, contracts or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies", in excess of the statutory thresholds where there had been no advertising for bids in accordance with provisions of N.J.S.A. 40A:11-21.

Miscellaneous

An exit conference was held in accordance with the generally accepted governmental auditing standards.

Acknowledgement

During the course of the audit, we received the cooperation of the officials of the Fire District and we appreciate the courtesies extended to us.

Recommendations

None