

**DENNIS TOWNSHIP**

**FIRE DISTRICT #1**

**TOWNSHIP OF DENNIS, NEW JERSEY**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2013**



# DENNIS TOWNSHIP FIRE DISTRICT #1

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# FORD - SCOTT

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## **Independent Auditor's Report**

The Board of Commissioners  
of Dennis Township Fire District #1  
Ocean View, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Board of Commissioners of Dennis Township Fire District #1, State of New Jersey, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Basis for Qualified Opinion***

As described in Note 7 of the financial statements, the District participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$234,201 was not audited and, therefore, we express no opinion on the LOSAP program.

### ***Qualified Opinions***

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Board of Commissioners of Dennis Township Fire District #1, State of New Jersey, as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2014 on our consideration of the Board of Commissioners of Dennis Township Fire District #1, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an

integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board of Commissioners of Dennis Township Fire District #1 internal control over financial reporting and compliance.

*Ford, Scott & Associates, L.L.C.*  
FORD, SCOTT & ASSOCIATES, L.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS

*Leon P. Costello*

Leon P. Costello  
Certified Public Accountant  
Registered Municipal Accountant  
No. 393

October 1, 2014

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**REQUIRED SUPPLEMENTARY INFORMATION - PART I**

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## **Management Discussion and Analysis**

This section of the Dennis Township Fire District #1's (District's) annual financial report presents management's analysis of the District's financial condition and activities for the year. This information should be read in conjunction with the financial statements.

### **Financial Highlights**

The District's net position increased due to excess general revenues over expenses. Throughout 2013, the District continued its commitment to the safety and protection of the residents of the District while attempting to curb expenditures without compromising the safety and welfare of the residents of the District. Overall, management believes the District's financial condition has improved in 2013. The following are key financial highlights:

- Total assets at year-end were \$1,112,762. Net position at year-end was \$1,094,362 of this amount, \$585,050 is invested in capital assets resulting in an unrestricted net position amount of \$509,312.
- The District's total net position increased by \$34,758.

### **Overview of Annual Financial Report**

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplemental information. The MD&A represents management's examination and analysis of the District's financial condition and performance. Summary financial statement data, key financial and operational were used for this analysis.

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. The District's day to day operations are conducted solely through a general fund. The District maintains a capital projects fund to account for the purchase of capital assets and a trust fund to hold the assets of the Length of Service Awards program.

### **Reporting the District as a Whole**

The Statement of Net Position and the Statement of Activities report information about the District as a whole, these statements include all assets and liabilities using the full accrual basis of accounting. All of the current year's revenues and expenses are taken into account when the revenue is earned or the expense is incurred. These two statements report the District's net position and changes to it. One can think of the District's net position, the difference between assets and liabilities, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial position is improving or deteriorating. The reader will, however, need to consider other non-financial factors, such as changes in the District's tax base, to assess the overall health of the District.

The District's activities are reported as governmental activities. The District is primarily financed through the levying of property taxes.

The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. The fund is reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the differences between governmental activities and governmental funds in a reconciliation detailed on Exhibit F.

### **The District as a Whole**

The District's beginning net position was \$1,059,604 and the ending net position is \$1,094,362 representing an increase of \$34,758.

The following is a summary of the District's Net Position as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 527,712	305,451
Investments	-	102,010
Capital Assets, net	<u>585,050</u>	<u>667,093</u>
Total Assets	<u><u>1,112,762</u></u>	<u><u>1,074,554</u></u>
<b>LIABILITIES</b>		
Due to Trust Fund	<u>18,400</u>	<u>14,950</u>
Total Liabilities	<u><u>18,400</u></u>	<u><u>14,950</u></u>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	585,050	667,093
Unrestricted	509,312	392,511
Total Net Position	<u><u>\$ 1,094,362</u></u>	<u><u>1,059,604</u></u>

The following is the summary of the changes in Net Position for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
<b>Revenues:</b>		
Tax Levy	\$ 355,000	\$ 355,000
Supplemental Fire Grant	1,276	1,276
Interest Income	2,339	2,766
 Total Revenue	 <u>358,615</u>	 <u>359,042</u>
 <b>Expenses:</b>		
Fire Protection		
Equipment Repairs & Maintenance	13,237	15,396
Payments to Fire Company	163,752	162,500
Length of Service Awards Program	18,400	14,950
Depreciation	82,043	94,628
General and Administrative		
Insurance	12,405	14,266
Miscellaneous	588	1,103
Professional Services	33,432	6,400
 Total Expenses	 <u>323,857</u>	 <u>309,243</u>
 Increase In Net Position	 <u>\$ 34,758</u>	 <u>49,799</u>

### **Governmental Fund Financial Analysis**

Governmental Funds and Fiduciary Funds represent 100% of the District's funds.

At the end of 2013 the District's governmental funds reported a combined fund balance of \$509,312, an increase of \$116,801 from 2012. The increase resulted from the excess of revenues over expenditures due to not purchasing any new equipment during the year.

### **Capital Asset and Debt Administration**

The District's capital assets as of December 31, 2013 are \$585,050 (net of accumulated depreciation of \$885,921). The District's capital assets consist of fire trucks and equipment used for fire prevention.

The district has no debt.

### **General Trends and Significant Events**

The District continues to fund the LOSAP program which was previously approved by voters. The program has been successful in maintaining and bringing in additional membership to the Volunteers who serve the District.

### **Contacting the District's Management**

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about this report or need additional financial information, contact the Chairman of the Board of Fire Commissioners, Dennis Fire District #1 in Ocean View, NJ.

## **BASIC FINANCIAL STATEMENTS**

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DENNIS TOWNSHIP FIRE DISTRICT #1  
TOWNSHIP OF DENNIS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2013

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 527,712
Capital Assets	
Equipment - net	<u>585,050</u>
Total Capital Assets (net of depreciation)	<u>585,050</u>
 Total Assets	 <u><u>1,112,762</u></u>
 <b>LIABILITIES</b>	
Due to Length of Service Awards Program	18,400
 Total Liabilities	 <u><u>18,400</u></u>
 <b>NET POSITION</b>	
Invested in capital assets, net of related debt	585,050
Unrestricted	509,312
 Total Net Position	 <u><u>\$ 1,094,362</u></u>

The accompanying notes are in integral part of these financial statements

DENNIS TOWNSHIP FIRE DISTRICT #1  
 TOWNSHIP OF DENNIS  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Revenue	Net (Expenses)/Revenues and Changes in Net Position
	Fees, Fines & Charges For Services	Governmental Activities
Expenses		
Governmental		
Fire Protection:		
Equipment Repairs & Maintenance	13,237	(13,237)
Payments to Fire Company	163,752	(163,752)
Length of Service Awards Program	18,400	(18,400)
Depreciation	82,043	(82,043)
Total Fire Protection Expenses	277,432	(277,432)
General and Administrative		
Insurance	12,405	(12,405)
Miscellaneous	588	(588)
Professional Services	33,432	(33,432)
Total General and Administrative	46,425	(46,425)
Total Governmental Activities	323,857	(323,857)
General Revenues:		
Taxes		355,000
Interest		2,339
Grants not restricted to specific Programs		1,276
Total General Revenues		358,615
Change in Net Position		34,758
Net Position - Beginning		1,059,604
Net Position - Ending		\$ 1,094,362

DENNIS TOWNSHIP FIRE DISTRICT #1  
TOWNSHIP OF DENNIS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 527,712		527,712
Due from General Fund		436,745	436,745
<b>Total Assets</b>	<b>527,712</b>	<b>436,745</b>	<b>964,457</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Due to Trust Fund	18,400		18,400
Due to Capital Fund	436,745		436,745
<b>Total Liabilities</b>	<b>455,145</b>	<b>-</b>	<b>455,145</b>
<b>FUND BALANCE</b>			
Committed to:			
Future Capital Outlays		435,387	435,387
Purchase of Fire Truck		1,358	1,358
Unassigned	72,567		72,567
<b>Total Liabilities and Fund Balance</b>	<b>\$ 527,712</b>	<b>436,745</b>	<b>964,457</b>

The accompanying notes are in integral part of these financial statements

DENNIS TOWNSHIP FIRE DISTRICT #1  
TOWNSHIP OF DENNIS  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2013

Total fund balances for governmental funds	\$ 509,312
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	585,050
Total net position of governmental activities	<u>\$ 1,094,362</u>

DENNIS TOWNSHIP FIRE DISTRICT #1  
TOWNSHIP OF DENNIS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013

	Governmental Funds		Total Governmental Funds
	General Fund	Capital Projects Fund	
<b>REVENUES</b>			
Property taxes	\$ 355,000		355,000
Supplemental fire services grant	1,276		1,276
Interest	2,339		2,339
Total Revenues	<u>358,615</u>	-	<u>358,615</u>
<b>EXPENDITURES</b>			
Fire Protection	195,389		195,389
Administrative	46,425		46,425
Total Expenditures	<u>241,814</u>	-	<u>241,814</u>
Excess of revenues over expenditures	116,801	-	116,801
Transfers	<u>(77,300)</u>	77,300	-
	39,501	77,300	116,801
Fund balance/(Deficit) beginning	33,066	359,445	392,511
Fund balance ending	<u>\$ 72,567</u>	<u>436,745</u>	<u>509,312</u>

The accompanying notes are in integral part of these financial statements

DENNIS TOWNSHIP FIRE DISTRICT #1  
 TOWNSHIP OF DENNIS  
 RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 DECEMBER 31, 2013

Net change in fund balance - total governmental funds	\$ 116,801
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The change in net position for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount depreciation exceeded capital outlay.

	<u>(82,043)</u>
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Net change in net position of governmental activities	<u>\$ 34,758</u>
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DENNIS TOWNSHIP FIRE DISTRICT #1  
TOWNSHIP OF DENNIS  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2013  
(UNAUDITED)

	Expendable Trust Fund
<b>ASSETS</b>	
Investments	\$ 215,801
Due from other funds	18,400
Total Assets	234,201
<b>NET POSITION</b>	
Held in Trust for LOSAP	\$ 234,201

The accompanying notes are in integral part of these financial statements

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**Dennis Township Fire District #1  
Township of Dennis  
Notes to Financial Statements  
December 31, 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Dennis Township Fire District #1 operates with an elected Board of Commissioners. The District performs fire protection services in Dennis Township, Cape May County, New Jersey.

The financial statements of the Board of Commissioners of Fire District #1, Township of Dennis (the "District"), have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

**A. Reporting Entity**

The District is an instrumentality/subordinate entity of the State of New Jersey, established to function as a taxing entity to provide fire suppression in the Ocean View area of Dennis Township. The Board consists of five (5) elected officials and is responsible for the fiscal control of the District. A secretary and treasurer are appointed by the Board and are responsible for the administrative control of the District.

The District is not a component unit of any other financial reporting entity nor does the Fire District have any component units to be presented in accordance with Governmental Accounting Standards Board.

**B. Basic Financial Statements -Government-Wide Statements**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District has no business type activities. In the government-wide Statement of Net Position, the governmental column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in two parts—invested in capital assets, net of related debt and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants. The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc). The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

**Dennis Township Fire District #1**  
**Township of Dennis**  
**Notes to Financial Statements**  
**December 31, 2013**

**C. Basic Financial Statements—Fund Financial Statements**

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

**Governmental Funds:**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

- a. General fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and/or equipment.

**Fiduciary Funds:**

- a. Expendable trust funds are used to account for assets held by the District as a trustee for individuals, other governments or other entities. Expendable trust funds account for assets where both the principal and earnings may be spent.

**D. Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**1. Accrual:**

The government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**2. Modified Accrual:**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

**Dennis Township Fire District #1**  
**Township of Dennis**  
**Notes to Financial Statements**  
**December 31, 2013**

**E. Financial Statement Amounts**

1. Cash and Cash Equivalents:

The District has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent.

2. Capital Assets:

Capital assets purchased or acquired with an original cost of \$3,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Vehicles	5–12 years
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3. Revenues:

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

4. Expenditures:

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are purchased.

**F. Budgets/Budgetary Control**

Annual appropriated budgets are prepared each year for the general fund. The budgets are submitted to the Bureau of Authority Regulations Division of Local Government Services and are voted upon at the annual District's election. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. All budget transfers must be approved by resolution of the Fire Commissioners, as well as the State of New Jersey. No significant budget transfers were approved during the year ended December 31, 2013.

Formal budgetary integration into the accounting system is employed as a management control device during the year which complies with generally accepted accounting principles. Encumbrance accounting is also employed as an extension of formal budgetary integration in the government fund types.

**Dennis Township Fire District #1  
Township of Dennis  
Notes to Financial Statements  
December 31, 2013**

**G. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**H. Allowance for Doubtful Accounts**

The District carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the District evaluates its accounts receivable and establishes an allowance for doubtful accounts. Based on the District's analysis, there was no requirement for an allowance as of December 31, 2013.

**I. Recent Accounting Pronouncements Not Yet Effective**

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 67 "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25". This statement, which is effective for fiscal periods beginning after June 15, 2013, will not have any effect on the District's financial reporting.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27". This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the District's financial reporting.

In January 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 69 "Government Combinations and Disposals of Government Operations". This statement, which is effective for fiscal periods beginning after December 15, 2013, will not have any effect on the District's financial reporting.

In April 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 70 "Accounting and Financial Reporting for Nonexchange Financial Guarantees." This statement, which is effective for fiscal periods beginning after June 15, 2013, will not have any effect on the District's financial reporting.

In November 2013, Governmental Accounting Standards Board (GASB) issued Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68". The provisions of this statement are required to be applied simultaneously with the provisions of Statement 68 which is effective for periods beginning after June 15, 2014. This statement will not have any effect on the District's financial reporting.

**NOTE 2: INVESTMENTS**

**Interest Rate Risk.** The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

**Dennis Township Fire District #1**  
**Township of Dennis**  
**Notes to Financial Statements**  
**December 31, 2013**

**Credit Risk.** New Jersey Statutes 40A:5-15.1(a) limits District investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

**Concentration of Credit Risk.** The District places no limit on the amount the District may invest in any one issuer.

**Unaudited Investments**

As more fully described in Note #6, the District has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the District. All investments are valued at fair value. In accordance with NJAC 5:30-14.37 the investments are maintained by Lincoln Financial Advisors, which is an authorized provider approved by the Division of Local Government Services.

**NOTE 3: CASH**

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds or fund that may pass to the District relative to the happening of a future condition. As of December 31, 2013, \$0 of the District's bank balance of \$438,962 was exposed to custodial credit risk.

**NOTE 4: INTER LOCAL SERVICE AGREEMENT**

The Fire District has signed an agreement with Ocean View Fire Company. This agreement states that Ocean View Fire Company will provide Dennis Township Fire District #1 with necessary fire extinguishment services including manpower and equipment for a fee of \$164,000.

**NOTE 5: RISK MANAGEMENT**

The Fire District is exposed to various risks of loss related to torts, theft, casualty, errors and omissions and other losses for which the District carries commercial insurance. Settled claims have not exceeded insurance coverage in the past year.

**Dennis Township Fire District #1  
Township of Dennis  
Notes to Financial Statements  
December 31, 2013**

**NOTE 6: LENGTH OF SERVICE AWARDS PROGRAM (unaudited)**

On February 16, 2002, the voters of the Township of Dennis Fire District #1 approved the establishment of a Length of Service Awards Program (LOSAP) Deferred Compensation Plan. This Plan is made available to all bona fide eligible volunteers who are performing qualified services which are defined as fire fighting and prevention services, emergency medical services and ambulance services pursuant to Section 457 of the Internal Revenue Code of 1986, as amended, except for provisions assessed by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP will also comply with New Jersey Public Law 1997, Chapter 388 and the LOSAP document. The Fire District included \$40,000 in their 2013 budget for contributions to the LOSAP for volunteers who have met the established criteria. Of this they paid \$18,400 in January 2014 for the LOSAP program.

**NOTE 7: FIXED ASSETS**

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

	<b>Balance 12/31/12</b>	<b>Additions</b>	<b>Disposals / Adjustments</b>	<b>Balance 12/31/13</b>
<b>Governmental Activities:</b>				
Vehicles	\$1,470,971			1,470,971
Total at historical cost	<u>1,470,971</u>			<u>1,470,971</u>
Less accum depr for:				
Vehicles	(803,878)	(82,043)		(885,921)
Total accum deprec	<u>(803,878)</u>	<u>(82,043)</u>		<u>(885,921)</u>
Total capital assets being depr, net of accum depr	<u>667,093</u>		-	<u>585,050</u>
<b>Governmental activities capital assets, net</b>	<u>\$667,093</u>		-	<u>585,050</u>

**NOTE 8: INTERFUND BALANCES AND TRANSFERS**

The following interfund balances remained on the balance sheet at December 31, 2012:

<b>Fund</b>	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
Capital Projects Fund	\$ 436,745	
General Fund		455,145
LOSAP Fund	<u>18,400</u>	
Total	<u>\$ 455,145</u>	<u>455,145</u>

All interfunds are created as a result of timing differences between cash requirements in various funds. It is anticipated that the interfund with the LOSAP fund will be liquidated during the fiscal year. It is not anticipated that the interfund with the Capital Projects Fund will be liquidated as no separate bank account is maintained.

**Dennis Township Fire District #1**  
**Township of Dennis**  
**Notes to Financial Statements**  
**December 31, 2013**

As of December 31, 2013, an interfund remained from the General Fund to the Fiduciary Fund in the amount \$18,400 for LOSAP. The interfund was liquidated in 2014.

In 2013 the District transferred \$77,300 from the General Fund to the Capital Projects Fund to accumulate budgeted funds for future capital outlay.

**NOTE 9: SUBSEQUENT EVENTS**

The District has evaluated subsequent events through October 1, 2014, the date which the financial statements were available to be issued and no items were noted for disclosure.

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**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

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**DENNIS TOWNSHIP FIRE DISTRICT #1  
TOWNSHIP OF DENNIS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Original Budget	Final Budget	Actual	Variance - Over/ (Under)
Revenues:				
Interest Earned	\$ 5,000	5,000	2,339	(2,661)
Supplemental Fire Services Grant	1,300	1,300	1,276	(24)
District Taxes	355,000	355,000	355,000	-
<b>Total Revenues</b>	<b>361,300</b>	<b>361,300</b>	<b>358,615</b>	<b>(2,685)</b>
Expenditures:				
Operating and Maintenance:				
Administration:				
Insurance	20,000	20,000	12,405	7,595
Miscellaneous	2,000	3,000	588	2,412
Professional Services	8,000	40,000	33,432	6,568
<b>Total Administration</b>	<b>30,000</b>	<b>63,000</b>	<b>46,425</b>	<b>16,575</b>
Cost of Operations & Maintenance:				
Maintenance and Repairs	17,000	17,000	13,237	3,763
Payments to Fire Company	164,000	164,000	163,752	248
<b>Total Cost of Operations and Maintenance</b>	<b>181,000</b>	<b>181,000</b>	<b>176,989</b>	<b>4,011</b>
<b>Total Expenditures</b>	<b>211,000</b>	<b>244,000</b>	<b>223,414</b>	<b>20,586</b>
Excess of Revenues Over Expenditures	150,300	117,300	135,201	17,901
Other Financing Sources / (Uses):				
Operating Transfers In / (Out):				
Reserve for Future Capital Outlays	(110,300)	(77,300)	(77,300)	-
(LOSAP) - Contribution (PL 1997, C 388)	(40,000)	(40,000)	(18,400)	21,600
<b>Total Other Financing (Uses)</b>	<b>(150,300)</b>	<b>(117,300)</b>	<b>(95,700)</b>	<b>21,600</b>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	-	39,501	39,501
Fund Balances - Beginning of Year	33,066	33,066	33,066	-
Fund Balances - End of Year	\$ 33,066	33,066	72,567	39,501

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## **SUPPLEMENTARY INFORMATION**

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# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditor's Report

To the Board of Commissioners  
Township of Dennis Fire District #1  
Ocean View, NJ

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 1, 2014, which was qualified for the inclusion of unaudited LOSAP information.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

*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. We identified no deficiencies in internal control that we consider to be material weaknesses.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged

with governance. We identified no deficiencies in internal control that we consider to be significant deficiencies

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ford, Scott & Associates, L.L.C.*  
**FORD, SCOTT & ASSOCIATES, L.L.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

*Leon P. Costello*

**Leon P. Costello**  
**Certified Public Accountant**  
**Registered Municipal Accountant**  
**No. 393**

**October 1, 2014**



**DENNIS TOWNSHIP FIRE DISTRICT #1  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

***Schedule of Financial Statement Findings***

NONE

**DENNIS TOWNSHIP FIRE DISTRICT #1  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

**STATUS OF PRIOR YEAR FINDINGS**

NONE