## TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 – ADELPHIA COUNTY OF MONMOUTH ANNUAL FINANCIAL REPORT YEAR ENDED DECEMBER 31, 2012

ROBERT A. HULSART & COMPANY CERTIFIED PUBLIC ACCOUNTANTS 2807 HURLEY POND ROAD, SUITE 100 WALL, NEW JERSEY 07719

## TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 – ADELPHIA

## **COUNTY OF MONMOUTH**

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## TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 – ADELPHIA

## **COUNTY OF MONMOUTH**

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## TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 – ADELPHIA COUNTY OF MONMOUTH

## PART I

## ACCOUNTANT'S REPORT OF THE DISTRICT'S FINANCIAL STATEMENTS NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2012

## Robert A. Hulsart and Company

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## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and Members of the Board of Commissioners Township of Howell Fire District No.2 - Adelphia County of Monmouth Howell, New Jersey

## Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the various funds and account groups of the Howell Township Fire District No. 2 (the "District"), which comprise the consolidated balance sheets as of December 31, 2012, and the related consolidated statements of operations and changes in fund balance for the year then ended, and the related consolidated statement of revenues and consolidated statement of expenditures of the various funds for the year ended.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditors Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (The "Division"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the consolidated 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 District'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 consolidated financial statements.

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

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the various funds and account groups of the District, as of December 31, 2012, and the results of operations and changes in fund balance basis of such funds for the year then ended and the consolidated statements of revenues and consolidated statement of expenditures of the various funds for the year ended December 31, 2012 in accordance with accounting principles generally accepted in the Unites States of America.

## Report on Other Legal and Regulatory Requirements

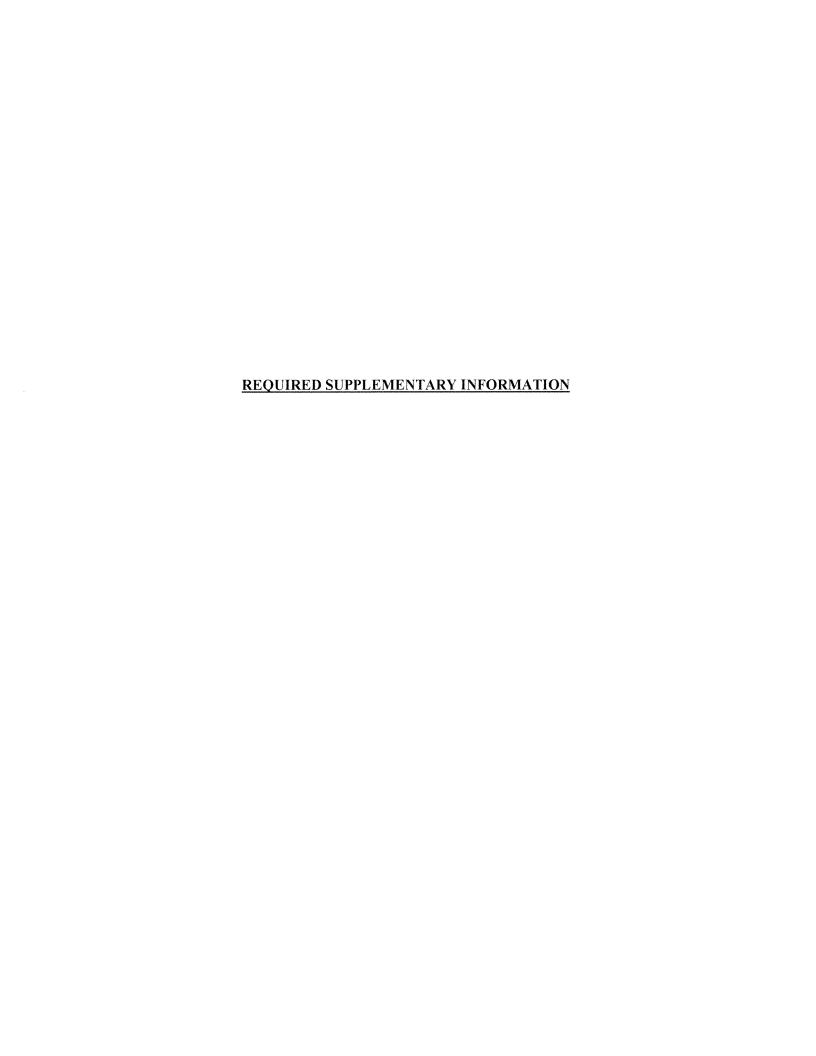
In accordance with *Government Auditing Standards*, we have also issued a report dated February 15, 2013 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinion on the consolidated financial statements of the District taken as a whole. The accompanying supplementary schedules and the comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements, but is required by the Division. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole.

Robert A. Hulsart and Company

Robert A. Hulsart Certified Public Accountant Registered Municipal Accountant R.M.A. Number 158

February 15, 2013



## HOWELL TOWNSHIP FIRE DISTRICT NO. 2 MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

## (UNAUDITED)

As management of the Howell Township Fire District No. 2, we offer readers of the Howell Township Fire District No. 2 financial statements this narrative overview and analysis of the financial activities of the Howell Township Fire District No. 2 for the year ended December 31, 2012. The intent of this discussion and analysis is to look at the Township of Howell Fire District No. 2's financial performance as a whole. Readers should also review the information furnished in the notes to the basic financial statements along with the financial statements to enhance their understanding of the Howell Township Fire District No. 2's financial performance.

## Financial Highlights

- The assets of Howell Township Fire District No. 2 exceeded its liabilities at the close of the most recent year by \$5,488,443.00 (net assets).
- As of the close of the current year, the Howell Township Fire District No. 2's governmental funds reported combined ending fund balances of \$1,685,186.00, an increase of \$235,342.00 in comparison with the prior year, due to results of normal operations.
- At the end of the current year, unreserved fund balance for the general fund was \$650,786.00.
- The total debt of Howell Township Fire District No. 2 decreased by \$270,000.00 as a result of paydown on the outstanding bonds in 2012.

## **Overview of Financial Statements**

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

<u>District-wide Financial Statements</u> – The district-wide financial statements are designed to provide readers with a broad overview of the Howell Township Fire District No. 2's finances, in a manner similar to a private sector business.

<u>District-wide Financial Statements (Continued)</u> – The Statement of Net Assets presents information on all of the Howell Township Fire District No. 2's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Howell Township Fire District No. 2 is improving or deteriorating.

The Statement of Activities presents information showing how the Howell Township Fire District No. 2's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., earned but unused sick leave).

Both of the district-wide financial statements distinguish functions of the Howell Township Fire District No. 2 that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Howell Township Fire District No. 2 include fire-fighting and emergency medical services that are provided to the citizens of the Howell Township Fire District No. 2.

<u>Fund Financial Statements</u> – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Howell Township Fire District No. 2, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Howell Township Fire District No. 2 constitute one fund type, governmental funds.

Governmental Funds – All of the Howell Township Fire District No. 2's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Howell Township Fire District No. 2's general government operations and the basic services it provides. Government fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance fire-fighting services.

The Howell Township Fire District No. 2 maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and change in fund balances for the general fund, special revenue fund, capital projects fund and the debt service fund.

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

Also, Howell Township Fire District No. 2 adopts an annual budget in accordance with N.J.S.A. 40A:14:78-3. Budgetary comparison schedules have been provided to demonstrate compliance with the budget.

Notes to the Financial Statements – The notes 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 financial statements are an integral part of the financial statements.

## **District-wide Financial Analysis**

As noted earlier, the net assets may serve over time as a useful indicator of a government's financial position. In the case of the Howell Township Fire District No. 2, assets exceeded liabilities by \$5,488,443.00 at the close of the most recent year.

The largest portion of the Howell Township Fire District No. 2's net assets (72 percent) reflects future investment in capital assets (i.e. buildings and equipment). The Howell Township Fire District No. 2 uses these assets to provide fire-fighting services to the citizens of the Howell Township Fire District No. 2: consequently these assets are not available for future spending. Although the Howell Township Fire District No. 2's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## **Statement of Net Assets**

## **Howell Township Fire District No. 2**

## Net Assets

## **December 31, 2012**

Current and Other Assets Capital Assets	\$ 2,463,971.00 <u>3,775,157.00</u> <u>6,239,128.00</u>
Long-Term Liabilities Outstanding Other Liabilities Total Liabilities	290,000.00 460,685.00 750,685.00
Net Assets	\$ 5,488,443.00
Analysis of Net Assets	
Invested in Capital Assets Net of Related Debt Unrestricted	\$ 3,803,257.00 _1,685,186.00
Total Net Assets	\$ 5,488,443.00

The restricted portion of the Howell Township Fire District No. 2's net assets (72 percent) represents resources that are subject to external restrictions on how they may be used.

In total, assets of governmental activities increased by \$301,819.00. For the 2012 year, capital assets are reported net of accumulated depreciation that as of December 31, 2012 was \$4,375,157.00

<u>Governmental Activities</u> – The Statement of Activities shows the cost of the governmental activities program services and the charges for services and grants offsetting those services. Key elements of the decrease in governmental activities are as follows:

Expenses:	
Administration	\$ 57,220.00
Cost of Operations and Maintenance	969,305.00
LOSAP Contribution	68,166.00
Reimbursement/Payment of Insurance Claims	8,140.00
Interest on Long-Term Debt	<u>35,600.00</u>
Total Program Expenses	1,138,431.00
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	1,093,500.00
Taxes Levied for Debt Service	306,500.00
Miscellaneous Income	40,250.00
Total General Revenues	1,440,250.00
Increase in Net Assets	301,819.00
Net Assets, January 1	_5,186,624.00
Net Assets, December 31	\$ 5,488,443.00

Property taxes constituted 97.0% of revenues for government activities for the Fire District for the year 2012.

Cost of operations and maintenance comprises 85% of fire district expenses, with administration comprising 5% and LOSAP 6%. Interest on long-term debt was 4%.

## Financial Analysis of the Government Funds

As stated earlier, the Howell Township Fire District No. 2 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund – The focus of the Howell Township Fire District No. 2's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Howell Township Fire District No. 2's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year and as a useful measure of permitting a governmental unit to maintain cash flow in anticipation of tax collections.

As of the end of the current year, the Howell Township Fire District No. 2's governmental funds reported combined ending fund balances of \$1,685,186.00, an increase of \$235,342.00 in comparison with the prior year. The increase is attributable to normal operations and capital appropriations.

Governmental Fund (Continued) – Of the combined ending fund balances of \$1,685,186.00, unreserved fund balances constituted \$650,786.00. Of the unreserved fund balance, \$234,400.00 has been utilized in the 2013 budget for Howell Township Fire District No. 2; and \$800,000 is reserved for future capital outlays.

The general fund is the main operating fund of the Howell Township Fire District No. 2. At the end of the current year, undesignated fund balance of the general fund was \$650,786.00, while the total fund balance was \$1,685,186.00.

The fund balance of the Howell Township Fire District No. 2's general fund increased by \$235,342.00 during the current year due to normal operations.

## **General Fund Budgetary Highlights**

During the course of the 2012 year the Howell Township Fire District No. 2 did not modify its general fund budget.

The key items of variance from the original budget are indicated above.

The final budgetary basis revenue estimate was \$1,093,500.00. The original budgetary estimate was the same.

During the year 2012, the Howell Township Fire District No. 2 budgeted \$1,093,500.00 for property taxes (local tax levy).

The final budgetary basis expenditures appropriation estimate was \$1,133,200.00. The original budgetary estimate was \$1,046,570.00.

## Capital Assets and Debt Administration

<u>Capital Assets</u> – The Howell Township Fire District No. 2's investment in capital assets for its governmental activities as of December 31, 2012 amounts to \$4,375,157.00 (net of accumulated depreciation). This investment in capital assets includes land, vehicles, equipment and construction in progress. Howell Township Fire District No. 2 acquired no capital assets during 2012 except for the investment in construction in progress for the fire sub-station.

At the end of 2012 the Howell Township Fire District No. 2 had \$5,888,309.00 invested in vehicles and equipment. The accumulated depreciation on these items was \$2,113,152.00.

\$ 4,375,157.00

## **Howell Township Fire District No. 2**

## Capital Assets

## (Net of Accumulated Depreciation)

## December 31, 2012

Land	\$ 600,000.00
Building	1,982,933.00
Site Improvements	381,333.00
Vehicles	1,342,158.00
Equipment	68,733.00

Additional information on the Howell Township Fire District No. 2's capital assets can be found in Note 5 in the Notes to Financial Statements.

Initial payment was made on the bonds issued for the fire substation. Additional information on the Howell Township District No. 2's debt service requirements can be found in Note 6 in the Notes to Financial Statements.

## **Economic Factors and Next Years Budget**

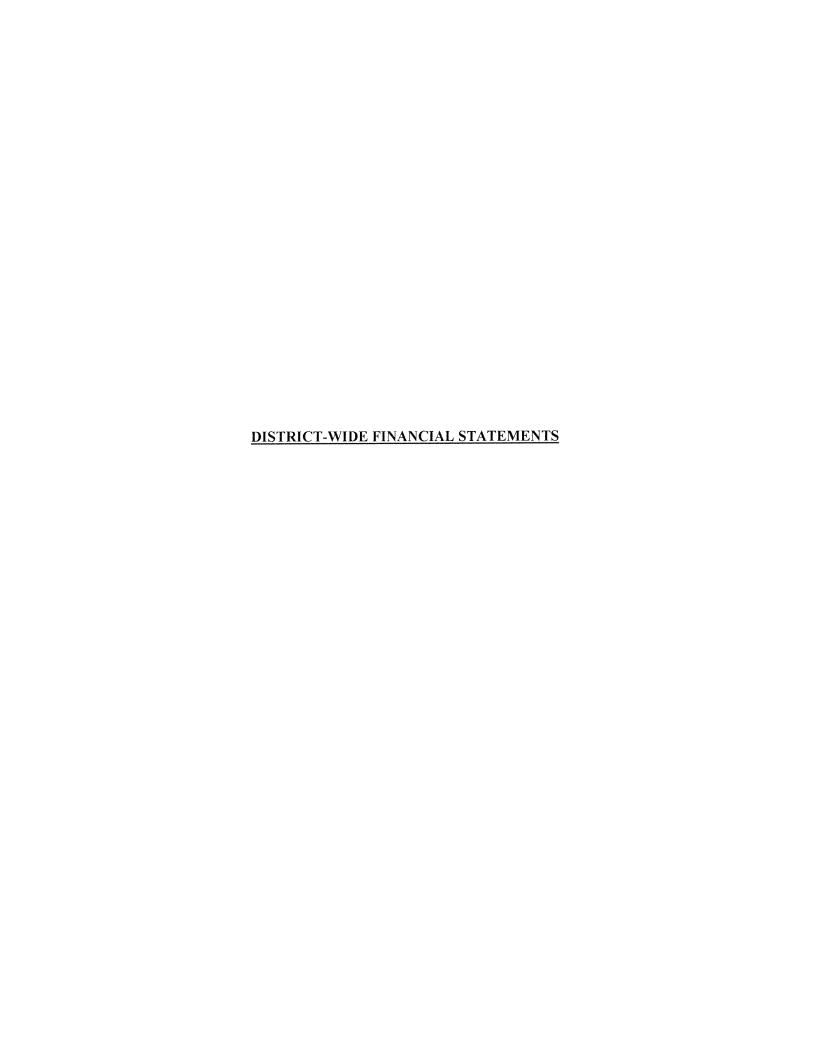
For the 2012 year the Howell Township Fire District No. 2 was able to sustain its budget through the district tax levy and other sources of revenue. Approximately 97% of total revenue is from the local tax levy, while the remaining 3% is from other sources.

The Board of Fire Commissioners adopted the 2013 budget January 7, 2013 and the voters subsequently approved the budget at the annual fire district election held on February 16, 2013.

## **Requests for Information**

This financial report is designed to provide a general overview of the Howell Township Fire District No. 2's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Frank Biddle, III, Administrative Clerk at Howell Township Fire District No. 2, Box 125, Adelphia, New Jersey 07710.





## STATEMENT OF NET ASSETS

Exhibit A-1

## **DECEMBER 31, 2012**

	Governmental Activities	
Assets:	0 1000071	
Cash and Cash Equivalents	\$ 1,863,971	
Capital Assets not Depreciated	600,000	
Capital Assets, Net (Note 4)	3,775,157	
Total Assets	6,239,128	
Liabilities:		
Accounts Payable	178,785	
Accrued Interest Payable	1,900	
Noncurrent Liabilities (Note 5):		
Due Within One Year	280,000	
Due Beyond One Year	290,000	
Total Liabilities	750,685	
Net Assets:		
Invested in Capital Assets, Net of Related Debt	3,803,257	
Unrestricted	1,685,186	
Total Net Assets	\$ 5,488,443	

## **STATEMENT OF ACTIVITIES**

Exhibit A-2

## FOR THE YEAR ENDED DECEMBER 31, 2012

	Governmental Activities	
Expenses:	***************************************	
Operating Appropriations:		
Administration	\$	57,220
Cost of Operations and Maintenance		969,305
Length of Service Award Program (LOSAP) - Contribution		
(P.L. 1997, c.388)		68,166
Reimbursement\Payment of Insurance Claims		8,140
Interest on Long-Term Debt		35,600
Total Program Expenses	MARKATOROPOOR	1,138,431
General Revenues:		
Taxes:		
Property Taxes, Levied for General Purposes		1,093,500
Taxes Levied for Debt Service		306,500
Miscellaneous Income		40,250
Total General Revenues	-	1,440,250
Increase in Net Assets		301,819
Net Assets, January 1 (Note 10)	Martine and Andrews and Andrew	5,186,624
Net Assets, December 31	\$	5,488,443



## **BALANCE SHEET**

Exhibit B-1

## **GOVERNMENTAL FUNDS**

## **DECEMBER 31, 2012**

	General Fund	Total Governmental Funds
Assets:		
Cash and Cash Equivalents	\$ 1,863,971	1,863,971
Total Assets	\$ 1,863,971	1,863,971
Liabilities and Fund Balances:		
Liabilities:		
Accounts Payable	\$ 178,785	178,785
Total Liabilities	178,785	178,785
Fund Balances:		
Reserved for:		
Future Capital Outlays	800,000	800,000
Unreserved:		
Designated for:	224 400	221 100
Subsequent Year's Expenditures	234,400	234,400
Undesignated, Reported in:	(50.70)	(50.79(
General Fund	650,786	650,786
Total Fund Balances	1,685,186	1,685,186
Total Liabilities and Fund Balances	\$ 1,863,971	
Amounts reported for Governmental Activities in the Statement of		
Net Assets (A-1) are different because:		
Capital assets used in governmental activities are not financial resources		
and therefore are not reported in the funds. The cost of the assets is		
\$6,488,309 and the accumulated depreciation is \$2,113,152.		4,375,157
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported as liabilities in the funds.		(1,900)
and, therefore, is not reported as natimites in the rands.		(1,200)
Long-term liabilities, including capital leases payable, are not due and payable in the current period and therefore are not reported as		
liabilities in the funds.		(570,000)
Net assets of governmental activities		\$ 5,488,443

# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Exhibit B-2 Sheet 1 of 2

GOVERNMENTAL FUNDS

## FOR THE YEAR ENDED DECEMBER 31, 2012

Debt Total Service Governmental Fund Funds	306,500 1,400,000 40,250 306,500 1,440,250	0.67.25	764,882	68,166 270,000 270,000 36,500 36,500		- 243,482
General	\$ 1,093,500 40,250 1,133,750	57.220	764,882	68,166	890,268	243,482
Revenues:	Amount to be Raised by Taxation to Support the District Budget Non-Budgetary Revenues Total Revenues	Expenditures: Operating Appropriations: Administration	Cost of Operations and Maintenance Length of Service Award Program (LOSAP) - Contribution	(P.L. 1997, c. 388) Debt Service: Principal	Interest Total Expenditures	Excess (Deficiency) of Revenues Over Expenditures

# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Exhibit B-2 Sheet 2 of 2

## FOR THE YEAR ENDED DECEMBER 31, 2012

		Debt	Total
	General	Service	Governmental
	Fund	Fund	Funds
Other Financing Sources (Uses):			
Reimbursement/Payment of Insurance Claims	(8,140)		(8,140)
Total Other Financing Sources (Uses)	(8,140)	1	(8,140)
Net Change in Fund Balances	235,342	ı	235,342
Fund Balance, January 1	1,449,844		1,449,844
			-
Fund Balance, December 31	\$ 1,685,186		1,685,186

Exhibit B-3

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,

## AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

## TO THE STATEMENT OF ACTIVITIES

## FOR THE YEAR ENDED DECEMBER 31, 2012

Total Net Change in Fund Balances - Governmental Funds		\$ 235,342
Amounts Reported for Governmental Activities in the Statement of		
Activities (A-2) are Different Because:		
Capital Outlays are reported in governmental funds as expenditures.		
However, in the statement of activities, the cost of those assets is		
allocated over their estimated useful lives as depreciation expense.		
This is the amount by which capital outlays exceeded depreciation in the period.		
Depreciation Expense	(214,763)	
Capital Outlays	10,340	
	***************************************	(204,423)
Repayment of bond principal is an expenditure in the governmental funds,		
but the repayment reduces long-term liabilities in the statement of net		
assets and is not reported in the statement of activities.		270,000
In the statement of activities, certain operating expenses, e.g., compensated		
absences (vacations) are measured by the amounts earned during the		
year. In the governmental funds, however, expenditures for these items		
are reported in the amount of financial resources used (paid). When the		
earned amount exceeds the paid amount, the difference is reduction in the		
reconciliation; when the paid amount exceeds the earned amount the		
difference is an addition to the reconciliation.		 900
Change in Net Assets of Governmental Activities		\$ 301,819

## TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Description of Reporting Entity</u> – Fire District No. 2 of the Township of Howell is a political subdivision of the Township of Howell, Monmouth County, New Jersey. It was formed in 1960 through the adoption of a Township ordinance. A board of five commissioners oversees all operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of every February.

Fire Districts are governed by N.J.S.A. 40A:14-70 et al. and are organized as a taxing authority charged with the responsibility of providing the resources necessary to provide fire fighting services to the residents within its territorial location. Fire District No. 2 of the Township of Howell has one fire company within its jurisdiction, the Howell Township Fire Company #1.

<u>Component Units</u> – GASB Statement No. 14, *The Financial Reporting Entity*, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. As of December 31, 2012, it has been determined by the Fire District that no component units exist.

<u>Basis of Presentation</u> – The financial statements of the Township of Howell Fire District No. 2 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Fire District's accounting policies are described in this Note.

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

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

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

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

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

<u>Special Revenue Fund</u> – The District accounts for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes in the special revenue funds.

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

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

## **Measurement Focus**

<u>District-wide Financial Statements</u> – The district-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Fire District are included on the Statement of Net Assets.

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

<u>Basis of Accounting</u> – Basis of accounting determines when transaction are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

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

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

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

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

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

Subsequent to the adoption of the Fire District budget, the amount of money to be raised by taxation in support of the Fire District budget must appear on the ballot for the annual election for approval of the legal voters.

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

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

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

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

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

<u>Encumbrances (Continued)</u> – The encumbered appropriation authority carries over into the next year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current year-end.

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

New Jersey governments are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey governments.

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

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

<u>Inventories and Prepaid Expenses</u> – Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

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

Inventories recorded on the district-wide financial statements are recorded as expenditures when consumed rather than when purchased. As of December 31, 2012, no inventories exist.

Prepaid expenses recorded in the governmental fund types, which benefit future periods, are recorded as an expenditure during the year of purchase. Prepaid expenses recorded on the district-wide financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2012. The District had no prepaid expenses as of December 31, 2012.

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

<u>Capital Assets</u> – General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide Statement of Net Assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Fire District maintains a capitalization threshold of \$3,000.00. The Fire District does not possess an infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materiality extend an asset's life are not. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

	Estimated
Description	_Lives
Buildings and Improvements	30 Years
Vehicles	6-25 Years
Firefighting Equipment	10 Years

Estimated

<u>Deferred Revenue</u> – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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

<u>Net Assets</u> – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Fire District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

<u>Fund Balance Reserves</u> – The Fire District reserves portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation for expenditures. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Fund balance reserves are established for encumbrances, legally restricted appropriations, excess surplus, and capital reserve account.

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

## NOTE 2: CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes petty cash, change funds, amounts in deposits, and short term investments with original maturities of three months or less.

Investments are stated at cost or amortized cost, which approximates market. The Board classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

## **Deposits**

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

## NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

## <u>Investments</u>

New Jersey statutes permit the Board to purchase the following types of securities:

- 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 Agency or any United States Bank of Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the school district.

As of December 31, 2012, cash and cash equivalents and investments of the District consisted of the following:

Cash and Cash Equivalents

Checking Account

\$ 1,863,971

During the period ended December 31, 2012, the District did not hold any investments. The carrying amount of the District's cash and cash equivalents at December 31, 2012 was \$1,863,971 and the bank balance was \$1,863,971. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,613,971 was covered by a collateral pool maintained by the banks as required by New Jersey statutes.

## **Credit Risk Categories**

All bank deposits and investments as of the balance sheet date are classified as to credit risk by the following three categories described below:

FDIC	\$ 250,000
GUDPA	1,613,971

\$ 1,863,971

## 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 District does not have a formal policy for custodial credit risk.

The District had no uninsured deposits.

## NOTE 3: PROPERTY TAX LEVIES

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

<u>Year</u>	<u>Valuations</u>	<u>Tax Levy</u>	Tax Rates
2012	\$ 1,835,632,785.00	1,400,000.00	0.076
2011	2,254,028,280.00	1,400,000.00	0.062
2010	2,263,493,128.00	1,400,000.00	0.062
2009	2,263,517,754.00	1,400,000.00	0.062
2008	2,249,968,674.00	1,456,000.00	0.065

## **NOTE 4: CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2012 was as follows:

	Balance				Balance
	Jan. 1, 2012	Additions A	<u>Adjustments</u>	<b>Retirements</b>	Dec. 31, 2012
Non-Depreciable					
Capital Assets:					
Land	\$ 600,000.00		****		<u>600,000.00</u>
Total Non-Depreciable					
Capital Assets	600,000.00			***************************************	600,000.00
-					
Depreciable Capital					
Assets:					
Building	2,288,000.00				2,288,000.00
Site Improvements	440,000.00				440,000.00
Vehicles	3,058,755.00				3,058,755.00
Machinery & Equip.	91,214.00	10,340.00			101,554.00
Total Depreciable					
Capital Assets	5,877,969.00	10,340.00			5,888,309.00
•					
Less Accumulated					
Depreciation:					
Building	(228,800.00)	(76,267.00)			(305,067.00)
Site Improvements	(44,000.00)	(14,667.00)			(58,667.00)
Vehicles	(1,599,867.00)	(116,730.00)			(1,716,597.00)
Machinery & Equip.	(25,722.00)	(7,099.00)			(32,821.00)
Total Accumulated					
Depreciation	(1,898,389.00)	(214,763.00)			(2,113,152.00)
•					
Total Capital Assets					
Being Depreciated,					
Net of Accumulated					
Depreciation	3,979,580.00	(204,423.00)		_	3,775,157.00
•		, , , , , , , , , , , , , , , , , , , ,			
Capital Assets, Net	\$ 4,579,580.00	(204,423.00)		-	4,375,157.00

Depreciation expense was charged to the following governmental functions:

Cost of Operations and Maintenance

\$214,763.00

## NOTE 5: LONG-TERM OBLIGATIONS

During the year ended December 31, 2012, the following changes occurred in long-term obligations:

	Outstanding Jan. 1, 2012	Increases	<u>Decreases</u>	Principal Outstanding Dec. 31, 2012	Due Within <u>One Year</u>
Long Term Debt:					
Serial Bonds	\$ 840,000.00		270,000.00	570,000.00	<u>280,000.00</u>

On February 21, 2004, a referendum was approved by the voters of Howell Township Fire District #2, Adelphia, to authorize the construction of a fire sub-station, and to issue debt in the form of serial bonds in an amount not to exceed \$2,500,000.00. The bonds were issued on November 15, 2004, with principal due beginning December 1, 2005, through December 1, 2014, with interest payable semi-annually beginning on June 1, 2005.

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the District are of general obligation bonds, and the interest rates vary from 2.00% to 5.00%.

Principal and interest due on serial bonds outstanding is as follows:

	Principal_	<u>Interest</u>	<u>Total</u>
Year Ending December 31,	<del></del>		
2013	\$ 280,000.00	25,700.00	305,700.00
2014	290,000.00	14,500.00	304,500.00
	\$ 570,000.00	40,200.00	610,200.00

<u>Bonds Authorized But Not Issued</u> – As of December 31, 2012, the Fire District had no authorized but not issued bonds.

## **NOTE 6: RISK MANAGEMENT**

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

<u>Property and Liability Insurance</u> – The Fire District maintains commercial insurance coverage for property, liability and surety bonds.

## **NOTE 7: FUND BALANCES**

## Reserved

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific reservations of the fund balance are summarized below:

<u>For Future Capital Outlays</u> – These funds are restricted for future capital expenditures to be made in future years. When the Fire District desires to utilize these funds in their annual budget, a capital resolution must be passed by the Board of Fire Commissioners prior to any expenditure against a capital appropriation. As of December 31, 2012, the balance for future capital outlays is \$800,000.

## Unreserved

Of the \$1,685,186 of fund balance at December 31, 2012, \$234,400 has been designated for subsequent year's expenditures, \$800,000 is reserved for future capital outlays; and \$650,786 is unreserved.

## NOTE 8: LENGTH OF SERVICE AWARD PROGRAMS

The Fire District's Length of Service Awards Program ("LOSAP") was created by a Fire District Resolution adopted on November 17, 1998 pursuant to Section 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Township of Howell Fire District No. 2 approved the adoption of the Plan at the annual election held in February, and the first year of eligibility for entrance into the Plan by qualified volunteers was calendar year 1999. The Plan provides tax deferred income benefits to active volunteer firefighters.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Fire District or its creditors.

As required by N.J.A.C. 5:30-14.48, the Fire District must have an annual review of its LOSAP performed in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

## NOTE 9: SIGNIFICANT ACCOUNTING PRONOUNCEMENTS

In June 2009, the FASB issued FASB ASC 105, Generally Accepted Accounting Principles, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, the District has updated references to GAAP in its financial statements issued for the period ended December 31, 2012. The adoption of FASB ASC 105 did not impact the District's financial position or results of operations.

## NOTE 9: SIGNIFICANT ACCOUNTING PRONOUNCEMENTS (Continued)

In May 2009, the FASB updated ASC 855, Subsequent Events, which is effective for reporting periods ending after June 15, 2009. ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued, or are available to be issued. The District adopted the amended sections of ASC 855 and it did not have an impact on the District's financial statements. The District evaluated all events or transactions that occurred after December 31, 2012 through February 15, 2013.

## TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 - ADELPHIA

## **COUNTY OF MONMOUTH**

PART II

**SUPPLEMENTARY INFORMATION** 

YEAR ENDED DECEMBER 31, 2012

Exhibit C-1 Sheet 1 of 2				Variance Actual Final to Actual			40,250 1,133,750 40,250	1,133,750 40,250					5,352 2,648	1,107				24,847 15,153				49,674 30,326	151,523	21,455 8,545	500 500	41,650 43,350	8,000	68,166 41,834	
CT NO. 2 - ADELPHIA	HOWELL TOWNSHIP FIRE DISTRICT NO. 2 - ADELPHIA  BUDGETARY COMPARISON SCHEDULE  GENERAL FUND	Q	012	yet Final fers Budget		1,093,500	- 1,093,500	- 1,093,500			50,200	3,000	8,000	3,000	4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4	140,000	250,000	40,000	85,000	30,000	40,000	80,000	170,000	30,000	1,000	85,000	8,000	110,000	
	BUDGETARY COMPARISO	GENERAL FUN	DECEMBER 31, 2012	Original Budget Budget Transfers		.\$ 1,093,500	1,093,500	1,093,500			50,200	3,000	8,000	3,000		140,000	250,000	40,000	85,000	30,000	40,000	80,000	170,000	30,000	1,000	85,000	8,000	110,000	
					Revenues:	Local Tax Levy	Miscellaneous Total Local Sources	Total Revenues	Expenditures:	Administration:	Salaries and Wages	Election	Office Expenses	Advertising	Operating:	Insurance	Maintenance and Repairs	Professional Services	Rental Charges	Supply Expense	Training and Education	Utilities	Hydrant Rentals	Other Outside Services	Promotion	Personal Equipment	Equipment       85,000       81,650         41,650       41,650         al Services       8,000       8,000         110,000       110,000       68,166	LOSAP	

Exhibit C-1				Variance Final to Actual 283,182	(8,140)	275,042		275,042
				Actual 243,482	(8,140)	235,342	1,449,844	1,685,186
HOWELL TOWNSHIP FIRE DISTRICT NO. 2 - ADELPHIA BUDGETARY COMPARISON SCHEDULE	ULE		GENERAL FUND DECEMBER 31, 2012	Final Budget (39,700)	1	(39,700)	1,449,844	1,410,144
	BUDGETARY COMPARISON SCHED	ERAL FUND		Budget Transfers	1	•		•
		GEN		Original Budget (39,700)	1	(39,700)	1,449,844	\$ 1,410,144
NOH				Excess (Deficiency) of Revenues Over/Under Expenditures	Other Financing Sources/Uses: Reimbursement/Payment of Insurance Claims Total Other Financing Sources	Total (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Sources	Fund Balance, January 1	Fund Balance, December 31

## **HOWELL TOWNSHIP FIRE DISTRICT NO. 2 - ADELPHIA**

## REQUIRED SUPPLEMENTARY INFORMATION

## **BUDGETARY COMPARISON SCHEDULE**

Exhibit C-3

## **NOTE TO RSI**

## FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund
Sources/Inflows of Resources:	
Actual amounts (budgetary basis) "revenues" from the budgetary	
comparison schedules	\$ 1,133,750
Total revenues as reported on the statement of revenues,	
expenditures and changes in fund balances - governmental	
funds.	\$ 1,133,750
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total expenditures" from the	
budgetary comparison schedule	\$ 890,268
Total expenditures as reported on the statement of revenues,	
expenditures, and changes in fund balances - governmental	
funds.	\$ 890,268

## TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 - ADELPHIA

Exhibit H-1

## **COUNTY OF MONMOUTH**

## **LENGTH OF SERVICE AWARD PROGRAM**

## STATEMENT OF NET ASSETS AVAILABLE

## **FOR PROGRAM BENEFITS**

	 2012	
Assets Investments Held by Trustee	\$ 725,805	
<u>Liabilities</u> Net Assets Available for Program Benefits	\$ 725,805	

## TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 - ADELPHIA

## **COUNTY OF MONMOUTH**

Exhibit H-2

## LENGTH OF SERVICE AWARD PROGRAM

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE

## FOR PROGRAM BENEFITS

	2012	
Increases in Program Assets Principal Contributions	\$ 79,400	
Program Earnings - Net	7,799	
Total Increase in Net Assets	87,199	
Decreases in Program Assets Distributions/Refunds/Adjustments	68,328 18,871	•
Net Assets Available for Program Benefits Beginning of Year	706,934	•
End of Year	\$ 725,805	

# HOWELL TOWNSHIP FIRE DISTRICT NO. 2 -ADELPHIA

## COUNTY OF MONMOUTH

Exhibit H-3

## LENGTH OF SERVICE AWARD PROGRAM

## SCHEDULE OF INVESTMENT PROGRAM ACTIVITY

Balance	Dec. 31, 2012	725,805
Adjustments/	Refunds	(68,328)
d by	Earnings	7,799
Increase	Contributions	79,400
Balance	Dec. 31, 2011	\$ 706,934
	Investments	Valic Variable Annuity Life Insurance Company

Decreased by Distributions/

# **HOWELL TOWNSHIP FIRE DISTRICT NO. 2 - ADELPHIA**

## BUDGETARY COMPARISON SCHEDULE

Exhibit I-2

## DEBT SERVICE FUND

## **DECEMBER 31, 2012**

Variance Final to Actual		1		,
Actual	306,500	306,500	270,000 36,500	306,500
Final Budget	306,500	306,500	270,000 36,500	306,500
Budget Transfers		1		1
Original Budget	\$ 306,500	\$ 306,500	\$ 270,000	\$ 306,500
Revenues:	Local Sources: Local Tax Levy	Total Revenues	Expenditures: Payment of Bond Principal Payment of Interest on Bonds	Total Expenditures

## HOWELL TOWNSHIP FIRE DISTRICT NO. 2 - ADELPHIA

## SCHEDULE OF SERIAL BONDS

Exhibit I-3

## DEBT SERVICE FUND

## **DECEMBER 31, 2012**

Balance at	Dec. 31, 2012		570,000	
	Paid		270,000	
Balance at	Dec. 31, 2011		\$ 840,000	
Interest	Rate		4.00%	5.00%
	Amount		\$ 280,000	290,000
Maturities of Bonds	Outstanding		12/1/2013	12/1/2014
Amount of Original	Issue		\$2,500,000.00	
Date of	Issue		11/15/2004	
	<b>Purpose</b>	Acquisition of Land and Construction of Fire	Sub-Station	

## Robert A. Hulsart and Company

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992) ROBERT A. HULSART, C.P.A., R.M.A., P.S.A. ROBERT A. HULSART, JR.,C.P.A., P.S.A.

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## ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF

## FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE

## WITH GOVERNMENT AUDITING STANDARDS

Board of Fire Commissioners Township of Howell Fire District No. 2 – Adelphia County of Monmouth Howell, New Jersey

We have audited the financial statements of the governmental activities and each major fund of the Township of Howell Fire District No. 2, in the County of Monmouth, State of New Jersey, as of and for the year ended December 31, 2012, and have issued our report thereon dated February 15, 2013. 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. A qualified opinion was issued since the Division of Local Government Services does not require the Length of Service Award Program ("LOSAP") to be audited, only reviewed.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township of Howell Fire District #2's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Howell Fire District #2's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Howell Fire District #2's internal control over financial reporting.

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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

### **Internal Control Over Financial Reporting (Continued)**

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township of Howell Fire District #2's general-purpose financial statements are free of 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 general-purpose 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, State of New Jersey.

This report is intended solely for the information and use of the management of the Fire District and the Bureau of Authority Regulation and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

ROBERT A. HULSART & COMPANY Certified Public Accountants

February 15, 2013

## TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 – ADELPHIA COUNTY OF MONMOUTH PART III COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2012



### FIRE DISTRICT NO. 2

## TOWNSHIP OF HOWELL, NEW JERSEY

## SCHEDULE OF FINDINGS AND RECOMMENDATIONS

## FOR THE YEAR ENDED DECEMBER 31, 2012

## Schedule of Financial Statement Findings

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

None.

## FIRE DISTRICT NO. 2

## **TOWNSHIP OF HOWELL, NEW JERSEY**

## SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

## AND RECOMMENDATIONS AS PREPARED BY MANAGEMENT

### FOR THE YEAR ENDED DECEMBER 31, 2012

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

## **FINANCIAL STATEMENT FINDINGS**

### **Recommendations:**

None.

## **APPRECIATION**

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

Respectfully submitted,

ROBERT A. HULSART & COMPANY Certified Public Accountants