

TOWNSHIP OF HOWELL

FIRE DISTRICT NO. 2 – ADELPHIA

COUNTY OF MONMOUTH

YEAR ENDED DECEMBER 31, 2009

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, 2009

Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

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RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying 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, 2009, which collectively comprise the Fire District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Howell Fire District No. 2's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of the Length of Service Award Program Fund ("LOSAP") have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to audit the LOSAP Fund financial statements as part of our audit of the District's financial statements. The LOSAP Fund financial activities are included in the District's Trust Fund, and represent 100% of the assets and liabilities as of December 31, 2009, of the District's Trust Funds.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Fund financial statements been audited, 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 Township of Howell Fire District No. 2, in the County of Monmouth, State of New Jersey as of December 31, 2009, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2010 on our consideration of the Township of Howell Fire District No. 2'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 compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Howell Fire District No. 2's basic financial statements. The related major fund supporting statements and schedules listed in the table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements. These statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Respectfully submitted,

ROBERT A. HULSART & COMPANY
Certified Public Accountants

March 24, 2010

Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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, 2009, and have issued our report thereon dated March 24, 2010. 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 No. 2’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Howell Fire District No. 2's 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 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 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

March 24, 2010

REQUIRED SUPPLEMENTARY INFORMATION

HOWELL TOWNSHIP FIRE DISTRICT NO. 2
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(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, 2009. 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. Since this is the first year of implementation of GASB 34, more detailed comparisons to prior year financial information will be provided in future years.

Financial Highlights

- The assets of Howell Township Fire District No. 2 exceeded its liabilities at the close of the most recent year by \$4,562,287.00 (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 \$1,644,112.00, an increase of \$438,571.00 in comparison with the prior year, due to results of normal operations and capital appropriations.
- At the end of the current year, unreserved fund balance for the general fund was \$611,761.00.
- The total debt of Howell Township Fire District No. 2 decreased by \$245,000.00 as a result of paydown on the outstanding bonds in 2009.

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.

District-wide Financial Statements – 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.

District-wide Financial Statements (Continued) – 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.

Fund Financial Statements – 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 \$4,562,287.00 at the close of the most recent year.

The largest portion of the Howell Township Fire District No. 2's net assets (71 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, 2009

Current and Other Assets	\$ 1,853,502.00
Capital Assets	<u>4,267,693.00</u>
	<u>6,121,195.00</u>
Long-Term Liabilities Outstanding	1,095,000.00
Other Liabilities	<u>463,908.00</u>
Total Liabilities	<u>1,558,908.00</u>
Net Assets	<u>\$ 4,562,287.00</u>

Analysis of Net Assets

Invested in Capital Assets Net of Related Debt	\$ 2,672,693.00
Restricted for Capital Projects	807,237.00
Unrestricted	<u>1,082,357.00</u>
Total Net Assets	<u>\$ 4,562,287.00</u>

The restricted portion of the Howell Township Fire District No. 2's net assets (71 percent) represents resources that are subject to external restrictions on how they may be used.

In total, assets of governmental activities increased by \$590,117.00. For the 2009 year, capital assets are reported net of accumulated depreciation that as of December 31, 2009 was \$4,267,693.00

Governmental Activities – 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	\$ 53,643.00
Cost of Operations and Maintenance	758,025.00
LOSAP Contribution	75,800.00
Interest on Long-Term Debt	<u>60,939.00</u>
Total Program Expenses	<u>948,407.00</u>
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	1,513,750.00
Miscellaneous Income	<u>2,231.00</u>
Total General Revenues	<u>1,515,981.00</u>
Increase in Net Assets	567,574.00
Adjustment for Net Assets	22,543.00
Net Assets, January 1	<u>3,972,170.00</u>
Net Assets, December 31	<u>\$ 4,562,287.00</u>

Property taxes constituted 99.5% of revenues for government activities for the Fire District for the year 2009.

Cost of operations and maintenance comprises 80% of fire district expenses, with administration comprising 6% and LOSAP 8%. Interest on long-term debt was 6%.

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 \$1,644,112.00, an increase of \$438,571.00 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 \$1,644,112.00, unreserved fund balances constituted \$1,631,898.00. Of the unreserved fund balance, \$212,900.00 has been utilized in the 2010 budget for Howell Township Fire District No. 2 and \$807,237 is designated for capital projects. The remainder of fund balance in the amount of \$12,214.00 is reserved for payroll withholdings.

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 \$611,761.00, while the total fund balance was \$836,875.00.

The fund balance of the Howell Township Fire District No. 2's general fund decreased by \$198,420.00 during the current year, due to putting monies into capital projects.

The capital projects fund had a fund balance of \$807,237.00 at the end of the current year, as the fire substation construction neared completion, and funds were put in place for the purchase of a pumper fire engine.

General Fund Budgetary Highlights

During the course of the 2009 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 \$1,207,200.00. The original budgetary estimate was the same.

During the year 2009, the Howell Township Fire District No. 2 budgeted \$1,207,200.00 for property taxes (local tax levy).

The final budgetary basis expenditures appropriation estimate was \$954,700.00. The original budgetary estimate was the same.

Capital Assets and Debt Administration

Capital Assets – The Howell Township Fire District No. 2's investment in capital assets for its governmental activities as of December 31, 2009 amounts to \$4,267,693.00 (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 2009 except for the investment in construction in progress for the fire sub-station.

At the end of 2009 the Howell Township Fire District No. 2 had \$2,663,456.00 invested in vehicles and equipment. The accumulated depreciation on these items was \$1,632,829.00.

Howell Township Fire District No. 2

Capital Assets

(Net of Accumulated Depreciation)

December 31, 2009

Land	\$ 600,000.00
Building	2,211,733.00
Site Improvements	425,333.00
Vehicles	977,653.00
Equipment	<u>52,974.00</u>
	<u>\$ 4,267,693.00</u>

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 2009 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 99.5% of total revenue is from the local tax levy, while the remaining .5% is from other sources.

The Board of Fire Commissioners adopted the 2010 budget January 4, 2010 and the voters subsequently approved the budget at the annual fire district election held on February 20, 2010.

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, Howell, New Jersey 07710.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

Exhibit A-1

DECEMBER 31, 2009

Assets:	
Cash and Cash Equivalents	\$ 1,046,265
Restricted Assets:	
Restricted Cash and Cash Equivalents	807,237
Capital Assets, Net (Note 4)	4,267,693
Total Assets	<u>6,121,195</u>
Liabilities:	
Accounts Payable	209,390
Accrued Interest Payable	4,518
Noncurrent Liabilities (Note 5):	
Due Within One Year	250,000
Due Beyond One Year	1,095,000
Total Liabilities	<u>1,558,908</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	2,672,693
Restricted for:	
Capital Projects	807,237
Unrestricted	1,082,357
Total Net Assets	<u>\$ 4,562,287</u>

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

STATEMENT OF ACTIVITIES

Exhibit A-2

FOR THE YEAR ENDED DECEMBER 31, 2009

Expenses:	
Operating Appropriations:	
Administration	\$ 53,643
Cost of Operations and Maintenance	758,025
Length of Service Award Program (LOSAP) - Contribution (P.L. 1997, c.388)	75,800
Interest on Long-Term Debt	60,939
Total Program Expenses	<u>948,407</u>
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	1,207,200
Taxes Levied for Debt Service	306,550
Miscellaneous Income	2,231
Total General Revenues	<u>1,515,981</u>
Increase in Net Assets	567,574
Adjustment for Fixed Assets	22,543
Net Assets, January 1 (Note 10)	<u>3,972,170</u>
Net Assets, December 31	<u>\$ 4,562,287</u>

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

FUND FINANCIAL STATEMENTS

BALANCE SHEET

Exhibit B-1
Sheet 1 of 2

GOVERNMENTAL FUNDS

DECEMBER 31, 2009

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and Cash Equivalents	\$ 1,046,265	807,237	1,853,502
Total Assets	<u>\$ 1,046,265</u>	<u>807,237</u>	<u>1,853,502</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	209,390		209,390
Total Liabilities	<u>209,390</u>	<u>-</u>	<u>209,390</u>
Fund Balances:			
Reserved for:			
Payroll Withholdings	12,214		12,214
Unreserved:			
Designated for:			
Subsequent Year's Expenditures	212,900	807,237	1,020,137
Undesignated, Reported in:			
General Fund	611,761		611,761
Total Fund Balances	<u>836,875</u>	<u>807,237</u>	<u>1,644,112</u>
Total Liabilities and Fund Balances	<u>\$ 1,046,265</u>	<u>807,237</u>	

BALANCE SHEET

Exhibit B-1
Sheet 2 of 2

GOVERNMENTAL FUNDS

DECEMBER 31, 2009

	<u>Total Governmental Funds</u>
Amounts reported for <i>Governmental Activities</i> 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 \$5,991,456, and the accumulated depreciation is \$1,723,763.	\$ 4,267,693
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported as liabilities in the funds.	(4,518)
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.	<u>(1,345,000)</u>
Net assets of governmental activities	<u>\$ 4,562,287</u>

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

HOWELL TOWNSHIP FIRE DISTRICT NO. 2 - ADELPHIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Exhibit B-2
Sheet 1 of 2

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Amount to be Raised by Taxation to Support the District Budget	\$ 1,207,200		306,550	1,513,750
Non-Budgetary Revenues	2,231			2,231
Total Revenues	<u>1,209,431</u>	<u>-</u>	<u>306,550</u>	<u>1,515,981</u>
Expenditures:				
Operating Appropriations:				
Administration	53,643			53,643
Cost of Operations and Maintenance	578,408			578,408
Length of Service Award Program (LOSAP) - Contribution (P.L. 1997, c. 388)	75,800			75,800
Debt Service:				
Principal			245,000	245,000
Interest			61,550	61,550
Capital Appropriations		63,009		63,009
Total Expenditures	<u>707,851</u>	<u>63,009</u>	<u>306,550</u>	<u>1,077,410</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>501,580</u>	<u>(63,009)</u>	<u>-</u>	<u>438,571</u>

HOWELL TOWNSHIP FIRE DISTRICT NO. 2 - ADELPHIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Exhibit B-2
Sheet 2 of 2

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses):				
Accounts Receivable Cancelled	(700,000)	700,000		-
Transfer to Capital				-
Transfer Interest from Capital to General				-
Total Other Financing Sources (Uses)	<u>(700,000)</u>	<u>700,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(198,420)	636,991	-	438,571
Fund Balance, January 1	1,035,295	170,246		1,205,541
Fund Balance, December 31	<u>\$ 836,875</u>	<u>807,237</u>	<u>-</u>	<u>1,644,112</u>

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

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, 2009

Total Net Change in Fund Balances - Governmental Funds		\$	438,571
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	(179,617)		
Capital Outlays	<u>63,009</u>		
			(116,608)
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.			245,000
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.			<u>611</u>
Change in Net Assets of Governmental Activities		\$	<u><u>567,574</u></u>

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

TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity – 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.

Component Units – 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 evaluation 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, 2009, it has been determined by the Fire District that no component units exist.

Basis of Presentation – 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Special Revenue Fund – 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.

Capital Projects Fund – 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Fund – 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

District-wide Financial Statements – 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.

Basis of Accounting – 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 sued for a specified purpose, and expenditure requirements, in which the resources are provided to the Fire District on a reimbursement basis.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Budgets/Budgetary Control – 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.

Encumbrances – Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances (Continued) – 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.

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

New Jersey governments are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 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.

Inventories and Prepaid Expenses – 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, 2009, 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, 2009. The District had no prepaid expenses as of December 31, 2009.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets – 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 \$2,500.00. 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:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	30 Years
Vehicles	6-25 Years
Firefighting Equipment	10 Years

Deferred Revenue – 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.

Net Assets – 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Reserves – 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.

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

NOTE 2: CASH AND CASH EQUIVALENTS

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

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2009</u>	<u>2008</u>
Insured:		
FDIC	\$ 200,000	200,000
GUDPA	<u>1,653,502</u>	<u>1,201,217</u>
	<u>\$ 1,853,502</u>	<u>1,401,217</u>

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.

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>	<u>Tax Rates</u>
2009	\$ 2,263,517,754.00	1,400,000.00	0.062
2008	2,249,968,674.00	1,456,000.00	0.065
2007	2,215,517,000.00	1,400,000.00	0.063
2006	922,032,712.00	962,000.00	0.105
2005	899,418,300.00	914,000.00	0.102
2004	870,662,696.00	850,000.00	0.098
2003	841,664,326.00	756,300.00	0.090

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2009 was as follows:

	<u>Balance</u> <u>Jan. 1, 2009</u>	<u>Increases</u>	<u>Adjustment</u>	<u>Decreases</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
Non-Depreciable					
Capital Assets:					
Land	\$ 600,000.00				600,000.00
Total Non-Depreciable					
Capital Assets	<u>600,000.00</u>				<u>600,000.00</u>
Depreciable Capital					
Assets:					
Building	2,288,000.00				2,288,000.00
Site Improvements	440,000.00				440,000.00
Vehicles	2,583,400.00	50,000.00	(7,134.00)	(39,400.00)	2,586,866.00
Equipment	<u>33,904.00</u>	<u>40,187.00</u>	<u>2,499.00</u>		<u>76,590.00</u>
Total Depreciable					
Capital Assets	<u>5,345,304.00</u>	<u>90,187.00</u>	<u>(4,635.00)</u>	<u>(39,400.00)</u>	<u>5,391,456.00</u>
Less Accumulated					
Depreciation:					
Building		(76,267.00)			(76,267.00)
Site Improvements		(14,667.00)			(14,667.00)
Vehicles	(1,563,320.00)	(85,293.00)		39,400.00	(1,609,213.00)
Equipment	<u>(20,226.00)</u>	<u>(3,390.00)</u>			<u>(23,616.00)</u>
Total Accumulated					
Depreciation	<u>(1,583,546.00)</u>	<u>(179,617.00)</u>		<u>39,400.00</u>	<u>(1,723,763.00)</u>
Total Capital Assets					
Being Depreciated,					
Net of Accumulated					
Depreciation	<u>3,761,758.00</u>	<u>(89,430.00)</u>	<u>(4,635.00)</u>		<u>3,667,693.00</u>
Capital Assets, Net	<u>\$ 4,361,758.00</u>	<u>(89,430.00)</u>	<u>(4,635.00)</u>		<u>4,267,693.00</u>

Depreciation expense was charged to the following governmental functions:

Cost of Operations and Maintenance	\$179,617.00
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NOTE 5: LONG-TERM OBLIGATIONS

During the year ended December 31, 2009, the following changes occurred in long-term obligations:

	<u>Outstanding</u> <u>Jan. 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Principal</u> <u>Outstanding</u> <u>Dec. 31, 2009</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Long Term Debt:					
Serial Bonds	<u>\$ 1,590,000.00</u>		<u>245,000.00</u>	<u>1,345,000.00</u>	<u>250,000.00</u>

NOTE 5: LONG-TERM OBLIGATIONS (Continued)

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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending December 31,			
2010	\$ 250,000.00	54,200.00	304,200.00
2011	255,000.00	46,700.00	301,700.00
2012	270,000.00	36,500.00	306,500.00
2013	280,000.00	25,700.00	305,700.00
2014	<u>290,000.00</u>	<u>14,500.00</u>	<u>304,500.00</u>
	<u>\$ 1,345,000.00</u>	<u>177,600.00</u>	<u>1,522,600.00</u>

Bonds Authorized But Not Issued – As of December 31, 2009, 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.

Property and Liability Insurance – 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 appropriate for future expenditures. Specific reservations of the fund balance are summarized below:

NOTE 7: FUND BALANCES (Continued)

For Future Capital Outlays – 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, 2009, the balance for future capital outlays is \$-0-.

Unreserved

Of the \$836,875 of fund balance at December 31, 2009, \$212,900 has been designated for subsequent year's expenditures, \$12,214.00 is reserved for payroll withholdings, and \$611,761 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: CONSTRUCTION COMMITMENTS

The District entered into an agreement of \$2,500,000 for the construction of a fire sub-station during 2005. An additional \$900,000 was authorized during 2007, and another \$100,000 during 2008. As of December 31, 2009, \$3,392,763 had been disbursed or committed, and the available balance to complete the project was \$107,237.00. Construction was primarily completed in 2008.

NOTE 10: PURCHASE OF CLASS A TRIPLE COMBINATION PUMPER FIRE ENGINE

At December 31, the District held \$700,000 in its Capital Project account for the purchase of the pumper. The order has been placed by the District and delivery is anticipated in 2010, however, no disbursements have been made as of December 31, 2010.

TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 - ADELPHIA

COUNTY OF MONMOUTH

PART II

SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2009

HOWELL TOWNSHIP FIRE DISTRICT NO. 2 - ADELPHIA

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

DECEMBER 31, 2009

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 1,207,200		1,207,200	1,207,200	
Miscellaneous				2,231	2,231
Total Local Sources	<u>1,207,200</u>	<u>-</u>	<u>1,207,200</u>	<u>1,209,431</u>	<u>2,231</u>
Total Revenues	<u>1,207,200</u>	<u>-</u>	<u>1,207,200</u>	<u>1,209,431</u>	<u>2,231</u>
Expenditures:					
Administration:					
Salaries and Wages	50,200		50,200	45,588	4,612
Election	2,500		2,500	1,794	706
Office Expenses	10,000		10,000	5,918	4,082
Advertising	4,000		4,000	343	3,657
Operating:					
Insurance	125,000		125,000	107,618	17,382
Maintenance and Repairs	110,000		110,000	72,182	37,818
Professional Services	85,000		85,000	32,133	52,867
Rental Charges	55,000		55,000	55,000	-
Supply Expense	35,000		35,000	12,212	22,788
Training and Education	25,000		25,000	12,068	12,932
Utilities	95,000		95,000	55,373	39,627
Hydrant Rentals	150,000		150,000	134,073	15,927
Other Outside Services	30,000		30,000	19,783	10,217
Promotion	1,000		1,000	486	514
Personal Equipment	75,000		75,000	69,478	5,522
Interlocal Services	8,000		8,000	8,000	-
LOSAP	94,000		94,000	75,800	18,200
Total Expenditures	<u>954,700</u>	<u>-</u>	<u>954,700</u>	<u>707,851</u>	<u>246,849</u>

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

DECEMBER 31, 2009

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Excess (Deficiency) of Revenues Over/Under Expenditures	252,500	-	252,500	501,580	249,080
Other Financing Sources/Uses:					
Transfer to Capital	-	-	-	(700,000)	(700,000)
Total Other Financing Sources	-	-	-	(700,000)	(700,000)
Total (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Sources	252,500	-	252,500	(198,420)	(450,920)
Fund Balance, January 1	1,035,925		1,035,295	1,035,295	
Fund Balance, December 31	\$ 1,288,425	-	1,287,795	836,875	(450,920)

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

Exhibit C-3

NOTE TO RSI

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>General Fund</u>
<u>Sources/Inflows of Resources:</u>	
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	<u>\$ 1,209,431</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u><u>\$ 1,209,431</u></u>
<u>Uses/Outflows of Resources:</u>	
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	<u>\$ 707,851</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	<u><u>\$ 707,851</u></u>

HOWELL FIRE DISTRICT NO. 2 - ADELPHIA

SUMMARY OF PROJECT EXPENDITURES

Exhibit F-1

DECEMBER 31, 2009

<u>Project Title</u>	<u>Appropriation</u>	<u>Balance Jan. 1, 2009</u>	<u>2009 Appropriation</u>	<u>Expended Year 2009</u>	<u>Balance Dec. 31, 2009</u>
Acquisition of Land and Construction of Fire Sub-Station	\$ 3,500,000	170,246		63,009	107,237
Purchase of a Class A Triple Combination Pumper Fire Engine	\$ 700,000		700,000		700,000

TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 - ADELPHIA

Exhibit H-1

COUNTY OF MONMOUTHLENGTH OF SERVICE AWARD PROGRAMSTATEMENT OF NET ASSETS AVAILABLEFOR PROGRAM BENEFITS

	<u>2009</u>
<u>Assets</u>	
Investments Held by Trustee	<u>\$ 561,100.00</u>
<u>Liabilities</u>	
Net Assets Available for Program Benefits	<u>\$ 561,100.00</u>

See Notes to Financial Statements and Independent Accountant's Review Report.

COUNTY OF MONMOUTH

Exhibit H-2

LENGTH OF SERVICE AWARD PROGRAM

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE

FOR PROGRAM BENEFITS

	<u>2009</u>
<u>Increases in Program Assets</u>	
Principal Contributions	\$ 78,832.00
Program Earnings - Net	<u>70,688.00</u>
Total Increase in Net Assets	149,520.00
<u>Decreases in Program Assets</u>	
Distributions/Refunds/Adjustments	<u>31,515.00</u>
	118,005.00
<u>Net Assets Available for Program Benefits</u>	
Beginning of Year	<u>443,095.00</u>
End of Year	<u><u>\$ 561,100.00</u></u>

See Notes to Financial Statements and Independent Accountant's Review Report.

HOWELL TOWNSHIP FIRE DISTRICT NO. 2 -ADELPHIA

COUNTY OF MONMOUTH

Exhibit H-3

LENGTH OF SERVICE AWARD PROGRAM

SCHEDULE OF INVESTMENT PROGRAM ACTIVITY

Investments
Valic Variable Annuity Life Insurance Company

	Balance	Increased by		Decreased by		Balance
	Dec. 31, 2008	Contributions	Earnings	Distributions/ Adjustments/ Refunds		Dec. 31, 2009
	\$ 443,095	78,832	70,688	31,515		561,100

HOWELL TOWNSHIP FIRE DISTRICT NO. 2 - ADELPHIA

Exhibit I-2

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

DECEMBER 31, 2009

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 306,550		306,550	306,550	
Total Revenues	\$ 306,550	-	306,550	306,550	-
Expenditures:					
Payment of Bond Principal	\$ 61,550		61,550	61,550	
Payment of Interest on Bonds	245,000		245,000	245,000	
Total Expenditures	\$ 306,550	-	306,550	306,550	-

HOWELL TOWNSHIP FIRE DISTRICT NO. 2 - ADELPHIA

Exhibit I-3

SCHEDULE OF SERIAL BONDS

DEBT SERVICE FUND

DECEMBER 31, 2009

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities of Bonds Outstanding</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance at Dec. 31, 2008</u>	<u>Paid</u>	<u>Balance at Dec. 31, 2009</u>
Acquisition of Land and Construction of Fire Sub-Station	11/15/2004	\$ 2,500,000.00	12/1/2010	250,000.00	3.00%	\$ 1,590,000	245,000	1,345,000
			12/1/2011	255,000.00	4.00%			
			12/1/2012	270,000.00	4.00%			
			12/1/2013	280,000.00	4.00%			
			12/1/2014	290,000.00	5.00%			

TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 – ADELPHIA

COUNTY OF MONMOUTH

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2009

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

FIRE DISTRICT NO. 2
TOWNSHIP OF HOWELL, NEW JERSEY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009

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 Government Auditing Standards 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

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

TOWNSHIP OF HOWELL
FIRE DISTRICT NO. 2 - ADELPHIA
COUNTY OF MONMOUTH
LENGTH OF SERVICE AWARD PROGRAM
DECEMBER 31, 2009

TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 – ADELPHIA

COUNTY OF MONMOUTH

LENGTH OF SERVICE AWARD PROGRAM

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	Notes to Financial Statements	4.
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Robert A. Hulsart and Company

1.

CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying Statement of Net Assets Available for Program Benefits of the Length of Service Award Program of the Township of Howell Fire District No. 2 – Adelpia (the "District") as of December 31, 2009, and the related Statement of Changes in Net Assets Available for Program Benefits for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the District.

A review consists principally of inquiries of the management of the District of analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

ROBERT A. HULSART AND COMPANY

March 24, 2010

TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 - ADELPHIA

Exhibit 1

COUNTY OF MONMOUTHLENGTH OF SERVICE AWARD PROGRAMSTATEMENT OF NET ASSETS AVAILABLEFOR PROGRAM BENEFITS

	<u>2009</u>
<u>Assets</u>	
Investments Held by Trustee	<u>\$ 561,100</u>
<u>Liabilities</u>	
Net Assets Available for Program Benefits	<u>\$ 561,100</u>

See Notes to Financial Statements and Independent Accountant's Review Report.

COUNTY OF MONMOUTH

Exhibit 2

LENGTH OF SERVICE AWARD PROGRAM

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE

FOR PROGRAM BENEFITS

	<u>2009</u>
<u>Increases in Program Assets</u>	
Principal Contributions	\$ 78,832
Program Earnings - Net	70,688
Total Increase in Net Assets	<u>149,520</u>
<u>Decreases in Program Assets</u>	
Distributions/Refunds/Adjustments	31,515
	<u>118,005</u>
<u>Net Assets Available for Program Benefits</u>	
Beginning of Year	<u>443,095</u>
End of Year	<u><u>\$ 561,100</u></u>

See Notes to Financial Statements and Independent Accountant's Review Report.

TOWNSHIP OF HOWELL FIRE DISTRICT NO. 2 ADELPHIA

COUNTY OF MONMOUTH

LENGTH OF SERVICE AWARD PROGRAM

NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF THE PROGRAM

In February 1999 the voters of the District approved the creation of a Length of Service Award Program ("LOSAP"). Subsequently, the Division approved the District's LOSAP program, provided by Valic Variable Life Insurance Co. The purpose of this program is to enhance the District's ability to retain and recruit volunteer firefighters.

Valic will provide for the benefit of participants, a multi-fund variable annuity contract as its funding vehicle. The program shall provide for a fixed annual contribution of \$1,250 for the fire district to each eligible volunteer who accumulates a minimum of 50 service points based on criteria established by resolution adopted on November 17, 1998. The District's contribution shall be included in the current year's budget.

All amounts awarded under a length of service award program shall remain the asset of the sponsoring agency; the obligation of the sponsoring agency to participating volunteers shall be contractual only; and no preferred or special interest in the awards made shall accrue to such participants. Such money shall be subject to the claims of the sponsoring agency's general creditors until distributed to any or all participants.

District contributions for the year ended December 31, 2009 totaling \$72,832 were disbursed in February of 2010. The District's estimated contribution for the year ended December 31, 2010 is \$98,000, which is to be paid out in 2011.

NOTE 2. PROGRAM INVESTMENTS

Upon enrollment, the participants in the Program select various investment options as to how the deferred amounts are invested. The investment option may be changed by the participant at any time. The Valic reports the Program's pro rata share of the investment income, consisting of gains and losses on transactions, appreciation or depreciation of the market value of the account investments and interest and dividends, recorded by the separate investment accounts maintained by the Program administrator. All investments are at fair market value.

HOWELL TOWNSHIP FIRE DISTRICT NO. 2 -ADELPHIA

COUNTY OF MONMOUTH

Exhibit 3

LENGTH OF SERVICE AWARD PROGRAM

SCHEDULE OF INVESTMENT PROGRAM ACTIVITY

	Balance	Increased by		Decreased by	Balance
	Dec. 31, 2008	Contributions	Earnings	Distributions/ Adjustments/ Refunds	Dec. 31, 2009
<u>Investments</u>					
Valic Variable Annuity Life Insurance Company	\$ 443,095	78,832	70,688	31,515	561,100