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**LITTLE EGG HARBOR TOWNSHIP
FIRE DISTRICT NO. 2
OCEAN COUNTY, NEW JERSEY**

Financial Statements

December 31, 2012 and 2011

With Independent Auditors' Report

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
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December 31, 2012 and 2011

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Board of Fire Commissioners
Little Egg Harbor Township Fire District #2
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Little Egg Harbor Township Fire District No. 2's financial performance provides an overview of the District's financial activities for the year ended December 31, 2012.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provides information about the activities of the District as a whole and presents a long term view of the District's finances. For governmental activities, these statements tell how district services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as a Board for the benefit of those outside of the government.

Reporting on the District as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base and the condition of the District's equipment to assess the overall health of the District.

In the Statement of Net Assets and the Statement of Activities, we divide the District into two kinds of activities;

- General Fund activities – Most of the District's basic services are reported here. Property Tax Levies finance most of these activities.
- Capital Fund activities – The District's equipment acquisitions are financed by prior levies and approved by the taxpayers. The District's acquisitions are reported here.

Reporting on the District's Most Significant Funds

Fund Financial Statements

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

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

The District as a Board

Reporting on the District's Fiduciary Responsibilities

The District is a board of commissioners that are charged with the safety and protection of the residents within its boundaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

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

	2012 GAAP Basis			Increase (Decrease)	Percentage Increase (Decrease)
	General Fund Activities	Capital Fund Activities	Total	over 2011	
Assets					
Current and other assets	\$ 588,342	\$ -	\$ 588,342	\$ 140,242	31.30%
Capital assets	-	1,008,442	1,008,442	(144,447)	(12.53%)
Total assets	<u>\$ 588,342</u>	<u>\$ 1,008,442</u>	<u>\$ 1,596,784</u>	<u>\$ (4,205)</u>	(0.26%)
Total liabilities	\$ 25,973	\$ 829,083	\$ 855,056	\$ (130,337)	(13.23%)
Net assets					
Invested in capital assets, net of accumulated depreciation and related debt			179,359	(13,053)	(6.78%)
Restricted for capital acquisitions			54,578	-	0.00%
Unrestricted			<u>507,791</u>	<u>139,185</u>	37.76%
Total net assets			<u>741,728</u>	<u>126,132</u>	20.49%
Total liabilities and net assets			<u>\$ 1,596,784</u>	<u>\$ (4,205)</u>	(0.26%)

The District's increase in net assets signifies an improved financial condition.

Governmental Activities

The General Fund is mainly to provide fire protection to its residents, educate the public as to fire prevention and precaution, and to train qualified personnel. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose. Capital Fund Activities are mainly to provide for the acquisition of major fire equipment for fire extinguishment.

THE DISTRICT'S FUNDS

The following schedules present a summary of general, capital fund revenues and expenditures for the fiscal year ended December 31, 2012 and the amount and percentage of increases and decreases in relation to the prior year.

	2012 GAAP Basis	Percentage of Total Revenues	Increase (Decrease) over 2011	Percentage Increase (Decrease)
Revenues				
District taxes	\$ 545,065	94.07%	\$ 152,795	38.95%
Interest	17	0.00%	16	1600.00%
Miscellaneous income	34,355	5.93%	34,355	100.00%
	<u>\$ 579,437</u>	<u>100.00%</u>	<u>\$ 187,166</u>	<u>47.71%</u>

District taxes experienced an increase this year due to increase in tax rate from \$0.032 to \$0.045.

	2012 GAAP Basis	Percentage of Total Expenditures	Increase (Decrease) over 2011	Percentage Increase (Decrease)
Expenditures				
Elections	\$ 1,265	0.28%	\$ (389)	(23.52%)
Office supplies	1,200	0.26%	770	179.07%
Office services	2,000	0.44%	-	0.00%
Professional services	21,248	4.69%	(5,459)	(20.44%)
Travel expenses	6,890	1.52%	(3,406)	(33.08%)
Fringe benefits	40,179	8.86%	(1,051)	(2.55%)
Advertising	512	0.11%	(113)	(18.08%)
Insurance	23,411	5.16%	(1,258)	(5.10%)
Maintenance and repairs	54,935	12.12%	39,394	253.48%
Membership and dues	300	0.07%	-	0.00%
Non-bondable assets	13,511	2.98%	7,864	139.26%
Supplies expense	-	0.00%	(470)	(100.00%)
Training and education	-	0.00%	(2,533)	(100.00%)
Uniforms - clothing & equipment	1,088	0.24%	(4,518)	(80.59%)
Utilities	10,046	2.22%	(103)	(1.01%)
Fire protection services	68,000	15.00%	-	0.00%
Interest expense	31,667	6.99%	20,947	195.40%
Other rentals	30,000	6.62%	(1,993)	(6.23%)
Depreciation expenses	147,053	32.44%	26,795	22.28%
	<u>\$ 453,305</u>	<u>100.00%</u>	<u>\$ 74,477</u>	<u>19.66%</u>

Most expenditures are contractual in nature and because of market fluctuations, they can vary from year to year depending on the circumstances. Overall, the District experienced an increase in total expenditures of approximately \$74,000 or 20%, mainly due to increased maintenance and repairs as related to repairing the tank for one of the fire trucks and increase of interest expense related to first payment of capital lease for a new aerial truck purchased in prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board revised the General Fund budget one. The amendment was transfer within appropriations as a precaution to avoid over expending a line item.

The budget was prepared expecting a slight increase in the district tax base. The district tax base was decreased slightly, but the tax rate increased which produced a revenue increase of approximately \$153,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

For the year ended December 31, 2012, capital assets changed as follow:

	2011 GAAP Basis	Additions	Disposals	2012 GAAP Basis	Percentage Increase (Decrease)
Capital assets					
Apparatus	\$ 146,251	\$ -	\$ -	\$ 146,251	0.00%
Equipment	386,851	2,606	-	389,457	0.67%
Vehicles	2,490,046	-	66,000	2,424,046	(2.65%)
	3,023,148	2,606	66,000	2,959,754	(2.10%)
Accumulated depreciation	1,870,259	147,053	66,000	1,951,312	4.33%
Capital assets, net	<u>\$ 1,152,889</u>	<u>\$ (144,447)</u>	<u>\$ -</u>	<u>\$ 1,008,442</u>	(12.53%)

The District accounted for its purchase of equipment and its disposal of a chief vehicle and an assistant chief vehicle.

Debts

At year end, the District had \$829,083 in capital leases payable outstanding versus \$960,477 last year – a decrease of 14%. More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Next year's general fund budget was determined based on a slight increase in the district tax rate. Some of the significant capital asset items approved in this year's budget will be deferred to subsequent years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our District's citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Clerk's office at 827B Radio Road, Little Egg Harbor, New Jersey, 08087.



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Independent Auditors' Report

Board of Fire Commissioners
Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Little Egg Harbor Township Fire District No. 2, Ocean County, New Jersey as of and for the years ended December 31, 2012 and 2011, and related notes to the financial statements, which collectively comprise Little Egg Harbor Township Fire District No. 2's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Little Egg Harbor Township Fire District No. 2's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and in compliance with the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Little Egg Harbor Township Fire District No. 2, Ocean County, New Jersey as of December 31, 2012 and 2011, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The accounting principles generally accepted in the United States of America required that the Management's Discussion and Analysis on page A1 through A4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Little Egg Harbor Township Fire District No. 2's basic financial statements. The accompanying financial information listed as Supplementary Information and Other Schedules, as listed in the table of contents, is presented for purposes of additional analysis and are not required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2012 and 2011 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information and Other Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Statistical Information and Roster of Officials have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2013 on our consideration of the Little Egg Harbor Township Fire District No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with



Government Auditing Standards in considering Little Egg Harbor Township Fire District No. 2's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Ronald C. Petrics".

Ronald C. Petrics
Registered Municipal Accountant (#474)

October 2, 2013



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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***

Independent Auditors' Report

Board of Fire Commissioners
Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, in compliance with the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Little Egg Harbor Township Fire District No. 2, Ocean County, New Jersey, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise Little Egg Harbor Township Fire District No. 2's basic financial statements, and have issued our report thereon dated October 2, 2013.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered Little Egg Harbor Township Fire District No. 2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Little Egg Harbor Township Fire District No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of Little Egg Harbor Township Fire District No. 2's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Little Egg Harbor Township 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Ronald C. Petrics".

Ronald C. Petrics
Registered Municipal Accountant (#474)

October 2, 2013

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Statement of Net Assets and Governmental Funds Balance Sheet
December 31, 2012

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Assets</u>
Assets					
Cash	\$ 564,144	\$ -	\$ 564,144	\$ -	\$ 564,144
Due from Volunteer Fire Co. and others	3,673	-	3,673	-	3,673
Prepaid expenses	20,525	-	20,525	-	20,525
Interfund receivable	-	390,278	390,278	(390,278)	-
Deferred charges to future taxation	-	1,031,185	1,031,185	(1,031,185)	-
Capital assets, net	-	-	-	1,008,442	1,008,442
Total assets	<u>\$ 588,342</u>	<u>\$ 1,421,463</u>	<u>\$ 2,009,805</u>	<u>\$ (413,021)</u>	<u>\$ 1,596,784</u>
Liabilities					
Current liabilities:					
Accounts payable	\$ 7,187	\$ -	\$ 7,187	\$ -	\$ 7,187
Accrued expenses	8,520	-	8,520	-	8,520
Reserve for LOSAP trust	10,266	-	10,266	-	10,266
Interfund payable	390,278	-	390,278	(390,278)	-
Improvement authorizations	-	256,680	256,680	(256,680)	-
Capital lease payable - current	-	126,246	126,246	-	126,246
Total current liabilities	416,251	382,926	799,177	(646,958)	152,219
Other liabilities:					
Capital lease payable - long-term	-	702,837	702,837	-	702,837
Total liabilities	416,251	1,085,763	1,502,014	(646,958)	855,056
Fund Balances and Net Assets					
Fund balances:					
Committed:					
Capital improvements	-	335,700	335,700	(335,700)	-
Assigned:					
Appropriation reserves	56,393	-	56,393	(56,393)	-
Designated for subsequent years' expenditures	49,000	-	49,000	(49,000)	-
Unassigned:					
General fund	66,698	-	66,698	(66,698)	-
Total fund balances	172,091	335,700	507,791	(172,091)	-
Total liabilities and fund balances	<u>\$ 588,342</u>	<u>\$ 1,421,463</u>	<u>\$ 2,009,805</u>		
Net Assets:					
Invested in capital assets, net of accumulated depreciation and related debt				179,359	179,359
Restricted for capital acquisitions				54,578	54,578
Unrestricted				507,791	507,791
Total net assets				<u>\$ 741,728</u>	<u>\$ 741,728</u>

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

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Statement of Net Assets and Governmental Funds Balance Sheet
December 31, 2011

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Assets</u>
Assets					
Cash	\$ 329,603	\$ -	\$ 329,603	\$ -	\$ 329,603
Due from Township of Little Egg Harbor	98,067	-	98,067	-	98,067
Prepaid expenses	20,430	-	20,430	-	20,430
Interfund receivable	-	290,278	290,278	(290,278)	-
Deferred charges to future taxation	-	1,162,579	1,162,579	(1,162,579)	-
Capital assets, net	-	-	-	1,152,889	1,152,889
Total assets	<u>\$ 448,100</u>	<u>\$ 1,452,857</u>	<u>\$ 1,900,957</u>	<u>\$ (299,968)</u>	<u>\$ 1,600,989</u>
Liabilities					
Current liabilities:					
Accounts payable	\$ 11,800	\$ -	\$ 11,800	\$ -	\$ 11,800
Accrued expenses	8,350	-	8,350	-	8,350
Reserve for LOSAP trust	4,766	-	4,766	-	4,766
Interfund payable	290,278	-	290,278	(290,278)	-
Improvement authorizations	-	256,680	256,680	(256,680)	-
Capital lease payable - current	-	131,394	131,394	-	131,394
Total current liabilities	<u>315,194</u>	<u>388,074</u>	<u>703,268</u>	<u>(546,958)</u>	<u>156,310</u>
Other liabilities:					
Capital lease payable - long term	-	829,083	829,083	-	829,083
Total liabilities	<u>315,194</u>	<u>1,217,157</u>	<u>1,532,351</u>	<u>(546,958)</u>	<u>985,393</u>
Fund Balances and Net Assets					
Fund balances:					
Committed:					
Capital improvements	-	235,700	235,700	(235,700)	-
Assigned:					
Appropriation reserves	74,565	-	74,565	(74,565)	-
Designated for subsequent years' expenditures	49,000	-	49,000	(49,000)	-
Unassigned:					
General fund	9,341	-	9,341	(9,341)	-
Total fund balances	<u>132,906</u>	<u>235,700</u>	<u>368,606</u>	<u>(368,606)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 448,100</u>	<u>\$ 1,452,857</u>	<u>\$ 1,900,957</u>		
Net Assets:					
Invested in capital assets, net of accumulated depreciation and related debt				192,412	192,412
Restricted for capital acquisitions				54,578	54,578
Unrestricted				368,606	368,606
Total net assets				<u>\$ 615,596</u>	<u>\$ 615,596</u>

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

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Statement of Activities and Governmental Fund Revenues, Expenditures and
Changes in Fund Balances
Year Ended December 31, 2012

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures:					
Operating appropriations	\$ 440,252	\$ -	\$ 440,252	\$ 13,053	\$ 453,305
Reserve for future capital outlays	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>
Total expenditures	540,252	-	540,252	(86,947)	453,305
Revenues and other financing sources:					
General revenues:					
District taxes	545,065	-	545,065	-	545,065
Interest income	17	-	17	-	17
Miscellaneous income	<u>34,355</u>	<u>-</u>	<u>34,355</u>	<u>-</u>	<u>34,355</u>
Total general revenues	579,437	-	579,437	-	579,437
Transfers:					
Reserve for future capital outlays	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>
Total transfers	-	100,000	100,000	(100,000)	-
Total general revenues and transfers	<u>579,437</u>	<u>100,000</u>	<u>679,437</u>	<u>-</u>	<u>579,437</u>
Excess of revenues and transfers over expenditures	39,185	100,000	139,185	(139,185)	-
Change in net assets	-	-	-	126,132	126,132
Fund balances/ net assets:					
Beginning of the year	<u>132,906</u>	<u>235,700</u>	<u>368,606</u>	<u>246,990</u>	<u>615,596</u>
End of year	<u>\$ 172,091</u>	<u>\$ 335,700</u>	<u>\$ 507,791</u>	<u>\$ 233,937</u>	<u>\$ 741,728</u>

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

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Statement of Activities and Governmental Fund Revenues, Expenditure, and
Changes in Fund Balances
Year Ended December 31, 2011

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures:					
Operating appropriations	\$ 318,435	\$ -	\$ 318,435	\$ 60,393	\$ 378,828
Reserve for future capital outlays	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>
Total expenditures	368,435	-	368,435	10,393	378,828
Revenues and other financing sources:					
General revenues:					
District taxes	392,270	-	392,270	-	392,270
Interest income	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>
Total general revenues	392,271	-	392,271	-	392,271
Transfers:					
Reserve for future capital outlays	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>
Total transfers	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>
Total general revenues and transfers	<u>392,271</u>	<u>50,000</u>	<u>442,271</u>	<u>(50,000)</u>	<u>392,271</u>
Excess of revenues and transfers over expenditures	23,836	50,000	73,836	(73,836)	-
Change in net assets	-	-	-	13,443	13,443
Fund balances/ net assets:					
Beginning of the year	<u>109,070</u>	<u>185,700</u>	<u>294,770</u>	<u>307,383</u>	<u>602,153</u>
End of year	<u>\$ 132,906</u>	<u>\$ 235,700</u>	<u>\$ 368,606</u>	<u>\$ 246,990</u>	<u>\$ 615,596</u>

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

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The accounting policies of the Little Egg Harbor Township Fire District No. 2 (District) conform to the accounting principles generally accepted in United States of America and the standards applicable to special districts which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. For the years ended December 31, 2012 and 2011 the financial statements of the Little Egg Harbor Township 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.

B. Reporting Entity

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

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

C. Basis of Presentation

Combined Fund and Government-wide Financial Statements

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

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

Governmental Fund Types

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

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

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

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
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December 31, 2012 and 2011

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

D. Basis of Accounting

Fund Basis of Accounting

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

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

Government-wide Basis of Accounting

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

E. Budgets/Budgetary Control

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

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

F. 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. Specific encumbrances in governmental funds are reported as liabilities at year end as they do not constitute expenditures or rather commitments related to unperformed contracts for goods and services.

The encumbered appropriation authority carries over into the following year. The balance of the unencumbered appropriations is recorded as a reserve to fund balance for unrecorded expenditures and commitments that pertain to the prior year. At the end of the following year, an entry will be made to fund balance for the unexpended appropriations of the prior year.

G. Fixed Assets

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

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2012 and 2011

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

Depreciation of all fixed assets is recorded as an operating expense in the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances with accumulated depreciation reflected in the Statement of Net Assets and Governmental Funds Balance Sheet. Depreciation is provided over the assets' estimated useful lives using the straight line method of depreciation, generally 5-7 years for firefighting equipment and general purpose vehicles and 12 years for fire fighting vehicles.

H. Interfund Transactions and Balances

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

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

I. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund. For long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

J. Fund Equity

Fund Basis

Fund balance is reported in classifications depicting the relative strength of the constraint that controls how specific amounts can be spent. Classifications are as follow:

- Nonspendable – includes amounts that are not in a spendable form or not expected to be converted to cash (inventory, for example) or are legally and contractually required to be maintained intact (principal of an endowment fund, for example).
- Restricted – includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors, contributors, creditors, or law or regulations of other governments or through enabling legislation that creates a new revenue source and restricts its use. Restrictions may be changed or lifted with the consent of resource providers.
- Committed – includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority, the Board of Commissioners. The constraint can only be removed or changed by taking the same type of action the District employed to commit those amounts. Such formal action consists of an affirmative vote by the Board of Commissioners.
- Assigned – comprises amounts intended to be used by the District for specific purposes, but are neither restricted nor committed. Intent is expressed by the District Board of Commissioners.
- Unassigned – this is the residual amount for the General Fund, and represents fund balance that has not been restricted, committed, or assigned. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned, it may be necessary to report a negative unassigned fund balance.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2012 and 2011

Government-wide Basis

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

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

K. Advertising

The District expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2012 and 2011 approximated \$600 in each year.

2. ADJUSTMENTS TO ARRIVE AT NET ASSETS

A. Interfund Receivables and Payables

For the years ended December 31, 2012 and 2011 interfund receivables and payables in the amount of \$390,278 and \$290,278, respectively, have been eliminated in arriving at the government-wide presentation.

B. Capital Assets – Net and Invested in Capital Assets - Net

For the years ended December 31, 2012 and 2011 capital assets, net in the amount of \$1,008,442 and \$1,152,889, respectively, and invested in capital assets, net of accumulated depreciation and related debt in the amount of \$179,359 and \$192,412, respectively, have been included in the government-wide presentation.

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

For the year ended December 31, 2012 fund balances in the amount of \$507,791 have been eliminated. Unrestricted net assets in the amount of \$507,791, and net assets restricted for capital acquisitions in the amount of \$54,578 have been included in the government-wide presentation.

For the year ended December 31, 2011 fund balances in the amount of \$368,606 have been eliminated. Unrestricted net assets in the amount of \$368,606, and net assets restricted for capital acquisitions in the amount of \$54,578 have been included in the government-wide presentation.

D. Improvement Authorizations:

Improvement authorizations, which are liabilities that represent the District’s earmarking of fund balance for a specified future project, do not represent liabilities as defined by U.S. generally accepted accounting principles. Therefore, for the years ended December 31, 2012 and 2011 improvement authorizations in the amount of \$256,680 in each year have been eliminated in arriving at the government-wide presentation.

E. Deferred Charges to Future Taxation

For the years ended December 31, 2012 and 2011 deferred charges to future taxation in the amount of \$1,031,185 and \$1,162,579, respectively, have been eliminated in arriving at the government-wide presentation.

3. ADJUSTMENTS TO ARRIVE AT THE CHANGE IN NET ASSETS

A. Operating Appropriations

For the year ended December 31, 2012 depreciation expense in the amount of \$147,053 has been included in the government-wide presentation. Additionally, to account for fixed asset purchases expensed under the fund basis of accounting, uniforms clothing and equipment account has been decreased by \$2,606, and principal payments on capital leases have been decreased by \$131,394. The net effect on operating appropriations is an increase of \$13,053.

Little Egg Harbor Township Fire District No. 2
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For the year ended December 31, 2011 depreciation expense in the amount of \$120,258 has been included in the government-wide presentation. Additionally, to account for fixed asset purchases expensed under the fund basis of accounting, non-bondable assets account has been decreased by \$4,169, and principal payments on capital leases have been decreased by \$55,696. The net effect on operating appropriations is an increase of \$60,393.

B. Reserve for Future Capital Outlays and Related Transfer

For the years ended December 31, 2012 and 2011, reserve for future capital outlays and related transfer have been reduced by \$100,000 and \$50,000, respectively on the government-wide presentation to eliminate the general fund expenditure and capital fund revenue related to the creation of improvement authorizations.

4. DEPOSITS AND INVESTMENTS

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

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

If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent. All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. The State of New Jersey Cash Management fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which mature within one year. Collateralization of fund investments is generally not required.

The cash on deposit is partially insured by federal deposit insurance in the amount of \$250,000 in each depository. Balances above the federal deposit insurance amount are insured by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., which insures all New Jersey governmental units' deposits in excess of the federal deposit insurance maximums. Cash determined by the Board of Commissioners, consists of all bank accounts including certificates of deposits.

Investments

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

- (a) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (b) Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Associates or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- (c) Bonds or other obligations of the District or bonds or other obligations of school districts of which the district is a part or within which the school district is located.
- (d) Bonds or other obligations, having a maturity date of not more than twelve months from the date of purchase that are approved by the New Jersey Department of Treasury Division of Investments.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2012 and 2011

- (e) Qualified mutual funds with portfolios limited to (i) bonds or other obligations of, or guaranteed by, the United States of America; and (ii) repurchase agreements fully collateralized by such obligations. These investments must be transacted only through national or state banks located within New Jersey.

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

As of December 31, 2012 and 2011 the District's cash accounts consisted of:

	<u>2012</u>	<u>2011</u>
Wells Fargo – Checking	\$ -	\$ 328,803
Sun National Bank – Checking	563,344	-
Petty Cash	800	800
Total Cash	<u>\$ 564,144</u>	<u>\$ 329,603</u>

The carrying amount of the Board's cash and cash equivalents at December 31, 2012 was \$564,144 and the bank balance was \$563,344. Of the balance, \$250,000 was covered by federal depository insurance and \$313,344 was covered by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., for all New Jersey governmental units' deposits in excess of the federal deposit maximums.

The cash deposits held at financial institutions can be categorized according to three levels of risk as described below:

Category 1	Deposits which are covered by FDIC, or collateralized by securities held by the District or its agent, in the district's name	\$ 250,000
Category 2	Deposits which are collateralized with securities held by the pledging financial institution's trust department, or Agent in the District's name	313,344
Category 3	Deposits which are not collateralized or insured.	800

5. ASSESSMENT AND COLLECTION OF MONEY AUTHORIZED BY VOTERS

Upon proper certification pursuant to Section 9 of P.L. 1979 c. 453 (C.40[A]:14-79), the assessor of the municipality, in which the fire district is situate, shall assess the amount to be raised by taxation to support the district budget against the taxable property therein, in the same manner as municipal taxes are assessed and the same amount shall be assessed, levied and collected at the same time and in the same manner as other municipal taxes.

The collector or treasurer of the municipality, in which said district is situate, shall pay over all moneys so assessed to the treasurer or custodian of funds of said fire district as follows; on or before April 1, an amount equaling 21.25% of all moneys so assessed; on or before July 1, an amount equaling 22.5% of all monies so assessed; on or before October 1, an amount equaling 25% of all monies so assessed; and on or before December 31, an amount equaling the difference between the total of all monies so assessed and the total amount of such monies previously paid over, to be held and expended for the purpose of providing and maintaining means for extinguishing fires in such district.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2012 and 2011

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

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

6. FUNDING

The activities of the Little Egg Harbor Township Fire District No. 2 are primarily funded by the striking of a fire tax on the property owners of the Fire District, as provided for by state statute. For the years ended December 31, 2012 and 2011, the fire tax rate on Fire District No. 2 was \$.045 and \$.032, respectively, per \$100 of assessed valuation.

7. LONG-TERM DEBT

Capital Lease

On November 3, 2006, the District entered into an agreement with Kansas State Bank of Manhattan to finance the purchase of one new elite tanker/pumper from Elite Fire Apparatus. The financed amount for this truck is \$449,211. The final payment is due on April 8, 2014.

On May 25, 2011, the District entered into an agreement with Capital One Public Funding to finance the purchase of one new aerial fire truck. The financed amount for this truck is \$777,898. The final payment is due on January 25, 2021.

The tables that follow provide information about the change in capital leases over the past two years for the District:

Capital Lease for	Balance at 12/31/11	Additions	Reductions	Balance at 12/31/12	Current	Non-current
Elite fire apparatus	\$ 182,579	\$ -	\$ 58,202	\$ 124,377	\$ 60,820	\$ 63,557
Aerial fire truck	777,898	-	73,192	704,706	65,426	639,280
	<u>\$ 960,477</u>	<u>\$ -</u>	<u>\$ 131,394</u>	<u>\$ 829,083</u>	<u>\$ 126,246</u>	<u>\$ 702,837</u>

	Balance at 12/31/10	Additions	Reductions	Balance at 12/31/11	Current	Non-current
Elite fire apparatus	\$ 238,275	\$ -	\$ 55,696	\$ 182,579	\$ 58,202	\$ 124,377
Aerial fire truck	-	777,898	-	777,898	73,192	704,706
	<u>\$ 238,275</u>	<u>\$ 777,898</u>	<u>\$ 55,696</u>	<u>\$ 960,477</u>	<u>\$ 131,394</u>	<u>\$ 829,083</u>

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2012 and 2011

Future debt service requirements for capital leases are as follows:

Fiscal Year	Payment	Interest	Principal	Principal Balance
2013	\$ 163,060	\$ 36,814	\$ 126,246	\$ 702,837
2014	163,060	31,179	131,881	570,956
2015	96,644	25,293	71,351	499,605
2016	96,644	22,132	74,512	425,093
2017	96,644	18,832	77,812	347,281
2018 and after	<u>386,576</u>	<u>39,295</u>	<u>347,281</u>	
	<u>\$ 1,002,628</u>	<u>\$ 173,545</u>	<u>\$ 829,083</u>	

8. CAPITAL ASSETS

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

	Balance As of 12/31/11	Additions	Deletions	Balance As of 12/31/12
Apparatus	\$ 146,251	\$ -	\$ -	\$ 146,251
Equipment	386,851	2,606	-	389,457
Vehicles	<u>2,490,046</u>	<u>-</u>	<u>66,000</u>	<u>2,424,046</u>
	3,023,148	2,606	66,000	2,959,754
Accumulated depreciation	<u>1,870,259</u>	<u>147,053</u>	<u>66,000</u>	<u>1,951,312</u>
Capital assets - net	<u>\$ 1,152,889</u>	<u>\$ (144,447)</u>	<u>\$ -</u>	<u>\$ 1,008,442</u>

Depreciation expense for the years ended December 31, 2012 and 2011 amounted to \$147,053 and \$120,258, respectively.

9. RELATED PARTIES

The Board of Fire Commissioners is comprised of five elected officials. All five of the Commissioners are members of the Mystic Island Volunteer Fire Company. The District has two agreements with the fire company. One is a Fire Protection Service Agreement. In this agreement the District paid the fire company \$68,000 for the fire company to provide personnel for firematic and other emergency services. In the second agreement, the District paid the fire company approximately \$30,000 to rent the firehouse and fire apparatus owned by the fire company.

10. RISK MANAGEMENT

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

11. LOSAP

The District maintains a LOSAP (Length of Service Awards Program) plan. The plan is considered to be a deferred compensation plan for volunteers and the contribution is not based on compensation.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2012 and 2011

New Jersey Statutes set the contribution limits. The contributions for 2012 and 2011 were \$23,000 and \$12,650, respectively.

12. SUBSEQUENT EVENTS

The District has evaluated subsequent events occurring after December 31, 2012 through the date of October 2, 2013, which is the date the financial statements were available to be issued. Based on this evaluation, the District has determined that no subsequent events have occurred which require disclosure in the financial statements.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - All Governmental Fund Types
Year Ended December 31, 2012

	<u>Governmental Fund Type</u>		<u>Total Actual Amounts</u>			<u>Budgeted Amounts</u>		<u>Budgetary Variance</u>
	<u>General Fund</u>	<u>Capital Fund</u>	<u>Budgetary Basis</u>	<u>Adjustments Note B</u>	<u>GAAP Basis</u>	<u>Original</u>	<u>Final</u>	
Revenues:								
District taxes	\$ 545,065	\$ -	\$ 545,065	\$ -	\$ 545,065	\$ 545,065	\$ 545,065	\$ -
Supplemental fire services grant	-	-	-	-	-	2,580	2,580	(2,580)
Interest income	17	-	17	-	17	-	-	17
Surplus anticipated unreserved	-	-	-	-	-	49,000	49,000	(49,000)
Miscellaneous revenues	<u>34,355</u>	<u>-</u>	<u>34,355</u>	<u>-</u>	<u>34,355</u>	<u>-</u>	<u>-</u>	<u>34,355</u>
Total revenues	579,437	-	579,437	-	579,437	596,645	596,645	(17,208)
Transfers:								
Reserve for future capital outlays	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Total transfers	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Total general revenues and transfers	579,437	100,000	679,437	(100,000)	579,437	596,645	596,645	82,792
Expenditures:								
Operating appropriations:								
Administration:								
Election	1,265	-	1,265	-	1,265	2,000	2,000	735
Office services	2,000	-	2,000	-	2,000	2,000	2,000	-
Office supplies	1,200	-	1,200	-	1,200	4,000	4,000	2,800
Professional services	21,248	-	21,248	-	21,248	22,000	22,000	752
Travel expenses	<u>6,890</u>	<u>-</u>	<u>6,890</u>	<u>-</u>	<u>6,890</u>	<u>12,000</u>	<u>7,000</u>	<u>110</u>
Total administration	32,603	-	32,603	-	32,603	42,000	37,000	4,397
Operations and maintenance								
Fringe benefits:								
LOSAP	28,500	-	28,500	-	28,500	28,500	28,500	-
Employee benefits	<u>11,679</u>	<u>-</u>	<u>11,679</u>	<u>-</u>	<u>11,679</u>	<u>16,000</u>	<u>16,000</u>	<u>4,321</u>
Total fringe benefits	40,179	-	40,179	-	40,179	44,500	44,500	4,321

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

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - All Governmental Fund Types
Year Ended December 31, 2012

	Governmental Fund Type		Total Actual Amounts			Budgeted Amounts		Budgetary Variance
	General Fund	Capital Fund	Budgetary Basis	Adjustments Note B	GAAP Basis	Original	Final	
Other expenses:								
Advertising	512	-	512	-	512	4,000	4,000	3,488
Insurance	23,411	-	23,411	-	23,411	30,000	30,000	6,589
Maintenance and repairs	54,935	-	54,935	-	54,935	41,000	54,000	(935)
Membership and dues	300	-	300	-	300	1,000	1,000	700
Non-bondable assets	13,511	-	13,511	-	13,511	34,000	34,000	20,489
Supplies expense	-	-	-	-	-	500	500	500
Training and education	-	-	-	-	-	8,000	-	-
Uniforms - clothing and equipment	3,694	-	3,694	(2,606) (1)	1,088	7,000	7,000	3,306
Utilities	10,046	-	10,046	-	10,046	15,000	15,000	4,954
Fire protection services	68,000	-	68,000	-	68,000	68,000	68,000	-
Leases principal	131,394	-	131,394	(131,394) (1)	-	131,394	131,394	-
Interest expense	31,667	-	31,667	-	31,667	31,667	31,667	-
Other rentals	30,000	-	30,000	-	30,000	38,584	38,584	8,584
Depreciation expense	-	-	-	147,053 (1)	147,053	-	-	-
Total other expenses	<u>367,470</u>	<u>-</u>	<u>367,470</u>	<u>13,053</u>	<u>380,523</u>	<u>410,145</u>	<u>415,145</u>	<u>47,675</u>
Total operations and maintenance	<u>407,649</u>	<u>-</u>	<u>407,649</u>	<u>13,053</u>	<u>420,702</u>	<u>454,645</u>	<u>459,645</u>	<u>51,996</u>
Total operating appropriations	440,252	-	440,252	13,053	453,305	496,645	496,645	56,393
Capital appropriations:								
Reserve for future capital outlays	100,000	-	100,000	(100,000)	-	100,000	100,000	-
Total capital appropriations	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total expenditures	<u>540,252</u>	<u>-</u>	<u>540,252</u>	<u>(86,947)</u>	<u>453,305</u>	<u>596,645</u>	<u>596,645</u>	<u>56,393</u>
Excess of revenue and transfers over expenditures	39,185	100,000	139,185	(139,185)	-	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,185</u>
Change in net assets	-	-	-	126,132	126,132			
Fund balances, beginning of the year	<u>132,906</u>	<u>235,700</u>	<u>368,606</u>	<u>246,990</u> (2)	<u>615,596</u>			
Fund balances, end of the year	<u>\$ 172,091</u>	<u>\$ 335,700</u>	<u>\$ 507,791</u>	<u>\$ 233,937</u>	<u>\$ 741,728</u>			

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

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Note to Supplementary Information
Year Ended December 31, 2012

NOTE A BUDGETARY BASIS OF ACCOUNTING

There are no substantial differences between the District's budgetary basis of accounting and the fund basis of accounting described below.

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

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

NOTE B BUDGETARY-TO-GAAP RECONCILIATION

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

	<u>Change in Fund Balance</u>
(1) Principal debt payments are reported as budgetary expenditures in the year payment is made. For GAAP purposes debt payments are not expenses, but are applied toward the reduction of debt.	\$ 131,394
Depreciation expense is not recorded on the budgetary basis of accounting. For GAAP purposes, capitalized assets are depreciated on a straight line basis over their respective useful lives.	(147,053)
Encumbrances for fixed asset purchases are reported as expenses in the year the orders are placed for budgetary purposes. For GAAP purposes, these purchases are capitalized in the year received.	<u>2,606</u>
Net decrease in fund balance- budget to GAAP	(13,053)
(2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the District's budget. (See Note A for a description of the District's budgetary accounting method.) This amount differs from the fund balance reported in the statement of revenues, expenditures and changes in fund balances because of the cumulative effect of transactions such as those described above.	<u>246,990</u>
	<u>\$ 233,937</u>

See Independent Auditors' Report.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Note to Supplementary Information
Year Ended December 31, 2012

NOTE C BUDGET CANCELLATION

Regulations allow the District to cancel unexpended appropriations before year end by resolution. During the year ended December 31, 2012, the District did not cancel any of appropriations resulting in a reservation of fund balance as follows:

Adopted budget	\$ 596,645
Expenditures	<u>540,252</u>
Favorable variance	56,393
Canceled	<u>-</u>
Fund balance reserve	<u>\$ 56,393</u>

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Schedule of Deferred Charges to Future Taxation - Capital Fund
Year Ended December 31, 2012

Purpose	Balance December 31, 2011	2012 Deferred	2012 Budget Appropriation	Balance December 31, 2012	December 31, 2012	
					Funded	Unfunded
2007 tanker/pumper	\$ 182,579	\$ -	\$ 58,202	\$ 124,377	\$ -	\$ 124,377
Tanker/pumper - tank repair	40,000	-	-	40,000	-	40,000
Command vehicle	40,000	-	-	40,000	-	40,000
Aerial fire truck	900,000	-	73,192	826,808	-	826,808
	<u>\$ 1,162,579</u>	<u>\$ -</u>	<u>\$ 131,394</u>	<u>\$ 1,031,185</u>	<u>\$ -</u>	<u>\$ 1,031,185</u>

See Independent Auditors' Report.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Schedule of Deferred Charges to Future Taxation - Capital Fund
Year Ended December 31, 2011

Purpose	Balance	2011 Deferred	2011 Budget Appropriation	Balance	December 31, 2011	
	December 31, 2010			December 31, 2011	Funded	Unfunded
2007 tanker/pumper	\$ 238,275	\$ -	55,696	\$ 182,579	\$ -	\$ 182,579
Tanker/pumper - tank repair	40,000	-	-	40,000	-	40,000
Command vehicle	40,000	-	-	40,000	-	40,000
Aerial fire truck	900,000	-	-	900,000	-	900,000
	<u>\$ 1,218,275</u>	<u>\$ -</u>	<u>\$ 55,696</u>	<u>\$ 1,162,579</u>	<u>\$ -</u>	<u>\$ 1,162,579</u>

See Independent Auditors' Report.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Schedule of Improvement Authorizations - Capital Fund
Year Ended December 31, 2012

Purpose	Authorized Appropriation		Balance	2012	2012	2012	Balance	December 31, 2012	
	Date	Amount	December 31, 2011	Authorization	Expenditures	Canceled	December 31, 2012	Funded	Unfunded
Tanker/pumper	02/18/95	\$ 450,000	\$ 54,578	\$ -	\$ -	\$ -	\$ 54,578	\$ 54,578	\$ -
Tanker/pumper - Tank Repair	12/18/07	40,000	40,000	-	-	-	40,000	-	40,000
Command vehicle	08/04/09	40,000	40,000	-	-	-	40,000	-	40,000
Aerial fire truck	12/07/10	900,000	122,102	-	-	-	122,102	-	122,102
		<u>\$ 1,430,000</u>	<u>\$ 256,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 256,680</u>	<u>\$ 54,578</u>	<u>\$ 202,102</u>

See Independent Auditors' Report.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Schedule of Improvement Authorizations - Capital Fund
Year Ended December 31, 2011

Purpose	Authorized Appropriation		Balance	2011	2011	2011	Balance	December 31, 2011	
	Date	Amount	December 31, 2010	Authorization	Expenditures	Cancelled	December 31, 2011	Funded	Unfunded
Tanker/pumper	02/18/95	\$ 450,000	\$ 54,578	\$ -	\$ -	\$ -	\$ 54,578	\$ 54,578	\$ -
Tanker/pumper - Tank Repair	12/18/07	40,000	40,000	-	-	-	40,000	-	40,000
Command vehicle	08/04/09	40,000	40,000	-	-	-	40,000	-	40,000
Aerial fire truck	12/07/10	900,000	900,000	-	777,898	-	122,102	-	122,102
Total		<u>\$ 1,430,000</u>	<u>\$ 1,034,578</u>	<u>\$ -</u>	<u>\$ 777,898</u>	<u>\$ -</u>	<u>\$ 256,680</u>	<u>\$ 54,578</u>	<u>\$ 202,102</u>

See Independent Auditors' Report.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Statistical Information
Years Ended December 31, 2012 and 2011

Property Tax Levies

The following is a tabulation of district assessed valuations, tax levies and property tax rates per \$100 of assessed valuations for the current and preceding eight (8) years:

<u>Fiscal Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2004	\$ 454,691,749	\$ 319,820	\$ 0.074
2005	466,640,030	317,720	0.069
2006 (revaluation)	1,401,787,839	359,170	0.026
2007	1,403,371,876	362,420	0.026
2008	1,407,131,328	376,916	0.027
2009	1,412,434,487	376,820	0.027
2010	1,246,134,463	380,170	0.031
2011	1,238,965,082	392,270	0.032
2012	1,221,255,814	545,065	0.045

General Fund – Fund Balance

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
December 31, 2004	\$ 152,759	\$ 35,000
December 31, 2005	94,798	100,200
December 31, 2006	3,622	20,000
December 31, 2007	95,681	17,904
December 31, 2008	79,089	60,000
December 31, 2009	58,106	48,000
December 31, 2010	78,935	48,000
December 31, 2011	58,341	49,000
December 31, 2012	115,698	49,000

Capital Fund – Fund Balance

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
December 31, 2004	\$ 24,578	\$ 24,578
December 31, 2005	-	-
December 31, 2006	-	-
December 31, 2007	-	-
December 31, 2008	-	-
December 31, 2009	60,000	-
December 31, 2010	185,700	-
December 31, 2011	235,700	-
December 31, 2012	335,700	-

See Independent Auditors' Report.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Roster of Officials
Years Ended December 31, 2012 and 2011

<u>Board of Commissioners</u>	<u>Position</u>	<u>Amount of Surety Bond*</u>
Russell Gulbert	Chairman	\$ 250,000*
Michael Caronia	Asst. Chairman	250,000*
Thomas Norgard	Treasurer	250,000*
Christine Gilton	Clerk	250,000*
William Maguire	Commissioner-at-large	250,000*

Other Official

Richard M. Braslow Board Attorney

* Blanket Bond Coverage

Surety Company

Volunteer Firemen's Insurance Services, Inc.

**Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Comments and Recommendations
Years Ended December 31, 2012 and 2011**

Scope of Examination and Conditions of Records

Our examination covered the funds of the Board of Fire Commissioners, Fire District No 2, Township of Little Egg Harbor handled by the Treasurer and Board Bookkeeper.

The Financial records were maintained in good condition.

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

Cash in Banks

The balance in bank at December 31, 2012 was reconciled with statements issued by the depositories.

Examination of Claims

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

The District's four (5) Commissioners do not receive a fee for meeting attendance during the year.

Contracts and Agreements Required to be Advertised

For N.J.S. 40A:11-4

N.J.S. 40A:11-4 states, "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding the aggregate of \$17,500 except by contract or agreement".

The members of the Township of Little Egg Harbor Fire District #2 have the responsibility of determining whether any contract or agreement might result in violation of the statute and, when necessary, the Board Attorney's opinion should be sought before a commitment is made.

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

Miscellaneous

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

Acknowledgment

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

Recommendations

None

See Independent Auditors' Report.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Comments and Recommendations
Years Ended December 31, 2012 and 2011

The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Respectfully submitted,



Ronald C. Petrics
Registered Municipal Accountant #474

For the Firm
WithumSmith+Brown

**Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Schedule of Findings and Recommendations
Years Ended December 31, 2012 and 2011**

Schedule of Financial Statement Findings

This section identifies the 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 Regulations, Division of Local Government Services, Department of Community Affairs (DCA), State of New Jersey.

Significant Deficiencies

None

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Schedule of Prior Year Findings and Recommendations
Years Ended December 31, 2012 and 2011

Schedule of Prior Year Financial Statement Findings

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

Significant Deficiencies

None