

**BOARD OF FIRE COMMISSIONERS
LITTLE EGG HARBOR TOWNSHIP
FIRE DISTRICT #2**

**Financial Statements
December 31, 2016 and 2015
With Independent Auditors' Reports**

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
December 31, 2016 and 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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 years ended December 31, 2016 and 2015.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statements of Net Position and Governmental Funds Balance Sheet and the Statement of Revenues, Expenses and Changes in Governmental Fund Balances and Net Position provide information about the activities of the District as a whole and present 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 Statements of Net Position and Governmental Funds Balance Sheet and the Statements of Revenues, Expenses and Changes in Governmental Fund Balances and Net Position

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 Statements of Net Position and Governmental Funds Balance Sheet and the Statement of Revenues, Expenses and Changes in Governmental Fund Balances and Net Position 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 position and changes in them. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position 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 that was regularly inspected by the fire chief to assess the overall health of the District.

In the Statements of Net Position and Governmental Funds Balance Sheet and the Statement of Revenues, Expenses and Changes in Governmental Fund Balances and Net Position, we divide the District into two kinds of activities;

Little Egg Harbor Township Fire District #2

Management's Discussion and Analysis (continued)

- 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 Statements of Net Position and Governmental Funds Balance Sheet and the Statement of Revenues, Expenses and Changes in Governmental Fund Balances and Net Position) 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 years ended December 31, 2016 and 2015, net position changed as follows:

	2016 GAAP Basis		Total	Increase (Decrease) over 2015	Percentage Increase (Decrease)
	General Fund Activities	Capital Fund Activities			
Assets					
Current and other assets	\$ 1,114,989	\$ -	\$ 1,114,989	\$ 164,843	17.35%
Capital assets	-	1,281,896	1,281,896	(61,472)	-4.58%
Total assets	<u>\$ 1,114,989</u>	<u>\$ 1,281,896</u>	<u>\$ 2,396,885</u>	<u>\$ 103,371</u>	4.51%
Total liabilities	\$ 92,805	\$ 859,306	\$ 952,111	\$ (112,421)	-10.56%
Net position					
Net investment in capital assets			422,590	79,612	23.21%
Restricted for capital acquisitions			618,278	100,000	19.29%
Unrestricted			403,906	36,180	9.84%
Total net position			<u>1,444,774</u>	<u>215,792</u>	17.56%
Total liabilities and net position			<u>\$ 2,396,885</u>	<u>\$ 103,371</u>	4.51%

Little Egg Harbor Township Fire District #2

Management's Discussion and Analysis (continued)

	2015 GAAP Basis		Total	Increase (Decrease) over 2014	Percentage Increase (Decrease)
	General Fund Activities	Capital Fund Activities			
Assets					
Current and other assets	\$ 950,146	\$ -	\$ 950,146	\$ 48,008	5.32%
Capital assets	-	1,343,368	1,343,368	566,295	72.88%
Total assets	<u>\$ 950,146</u>	<u>\$ 1,343,368</u>	<u>\$ 2,293,514</u>	<u>\$ 614,303</u>	36.58%
Total liabilities	\$ 64,142	\$ 1,000,390	\$ 1,064,532	\$ 441,123	70.76%
Net position					
Net investment in capital assets			342,978	136,861	66.40%
Restricted for capital acquisitions			518,278	(72,000)	-12.20%
Unrestricted			367,726	108,319	41.76%
Total net position			<u>1,228,982</u>	<u>173,180</u>	16.40%
Total liabilities and net position			<u>\$ 2,293,514</u>	<u>\$ 614,303</u>	36.58%

In both years, the District's increase in net position 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, 2016 and 2015 and the amount and percentage of increases and decreases in relation to the prior years.

	2016 GAAP Basis	Percentage of Total Revenues	Increase (Decrease) over 2015	Percentage Increase (Decrease)
Revenues				
District taxes	\$ 598,186	93.16%	\$ 25,041	4.37%
Miscellaneous income	43,937	6.84%	33,879	336.84%
	<u>\$ 642,123</u>	<u>100.00%</u>	<u>\$ 58,920</u>	10.10%

For the year ended December 31, 2016, the District experienced an increase in total revenue of approximately \$59,000 or 10%. The increase is mainly from the gain on a trade-in of vehicle of approximated \$44,000.

	2015 GAAP Basis	Percentage of Total Revenues	Increase (Decrease) over 2014	Percentage Increase (Decrease)
Revenues				
District taxes	\$ 573,145	98.28%	\$ 9,172	1.63%
Miscellaneous income	10,058	1.72%	10,058	100.00%
	<u>\$ 583,203</u>	<u>100.00%</u>	<u>\$ 19,230</u>	3.41%

Little Egg Harbor Township Fire District #2

Management's Discussion and Analysis (continued)

For the year ended December 31, 2015, the District experienced a small increase in total revenue of approximately \$19,000 or 3%. The increase is mainly from contribution of donated asset of \$10,000.

	2016 GAAP Basis	Percentage of Total Expenditures	Increase (Decrease) over 2015	Percentage Increase (Decrease)
Expenditures				
Elections	\$ 1,497	0.35%	\$ (1,148)	-43.40%
Office supplies	444	0.10%	(124)	-21.83%
Office services	2,000	0.47%	-	0.00%
Professional services	20,312	4.76%	(4,771)	-19.02%
Travel expenses	4,431	1.04%	(49)	-1.09%
Fringe benefits	53,221	12.48%	10,996	26.04%
Advertising	1,276	0.30%	(862)	-40.32%
Insurance	29,019	6.81%	2,829	10.80%
Maintenance and repairs	15,173	3.56%	(8,520)	-35.96%
Membership and dues	300	0.07%	-	0.00%
Non-bondable assets	10,875	2.55%	704	6.92%
Supplies expense	290	0.07%	290	100.00%
Training and education	6,851	1.61%	6,351	1270.20%
Uniforms - clothing & equipment	1,130	0.27%	(436)	-27.84%
Utilities	1,287	0.30%	(2,381)	-64.91%
Fire protection services	70,917	16.63%	(83)	-0.12%
Interest expense	34,101	8.00%	8,808	34.82%
Other rentals	33,000	7.74%	(1,587)	-4.59%
Depreciation expense	140,207	32.89%	6,291	4.70%
	<u>\$ 426,331</u>	<u>100.00%</u>	<u>\$ 16,308</u>	<u>3.98%</u>

Some 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 \$16,000 or 4%, mainly due to increased depreciation expense and interest expense.

	2015 GAAP Basis	Percentage of Total Expenditures	Increase (Decrease) over 2014	Percentage Increase (Decrease)
Expenditures				
Elections	\$ 2,645	0.64%	\$ 1,802	213.76%
Office supplies	568	0.14%	(628)	-52.51%
Office services	2,000	0.49%	-	0.00%
Professional services	25,083	6.12%	3,436	15.87%
Travel expenses	4,480	1.09%	728	19.40%
Fringe benefits	42,225	10.30%	1,055	2.56%
Advertising	2,138	0.52%	1,660	347.28%
Insurance	26,190	6.39%	800	3.15%
Maintenance and repairs	23,693	5.78%	(677)	-2.78%
Membership and dues	300	0.07%	-	0.00%

Little Egg Harbor Township Fire District #2

Management's Discussion and Analysis (continued)

	2015 GAAP Basis	Percentage of Total Expenditures	Increase (Decrease) over 2014	Percentage Increase (Decrease)
Non-bondable assets	10,171	2.48%	3,904	62.29%
Supplies expense	-	0.00%	(81)	-100.00%
Training and education	500	0.12%	(170)	-25.37%
Uniforms - clothing & equipment	1,566	0.38%	(4,163)	-72.67%
Utilities	3,668	0.89%	(2,173)	-37.20%
Fire protection services	71,000	17.32%	-	0.00%
Interest expense	25,293	6.17%	(5,886)	-18.88%
Other rentals	34,587	8.44%	-	0.00%
Depreciation expense	133,916	32.66%	(10,164)	-7.05%
	<u>\$ 410,023</u>	<u>100.00%</u>	<u>\$ (10,557)</u>	<u>-2.51%</u>

Some 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 decrease in total expenditures of approximately \$11,000 or 3%, mainly due to decreased depreciation expense

GENERAL FUND BUDGETARY HIGHLIGHTS

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

The budget relied on the expectation of an increase in district taxes. For 2016, the district tax revenue increased approximately \$25,000 due to increase in tax base and tax rate. For 2015, the district tax base was decreased, but the tax rate increased which produced a revenue increase of approximately \$9,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

For the years ended December 31, 2016 and 2015, capital assets changed as follow:

	2015 GAAP Basis	Additions	Transfers/ Deletions	2016 GAAP Basis	Percentage Increase (Decrease)
Capital assets					
Apparatus	\$ 146,251	\$ 9,725	\$ -	\$ 155,976	6.65%
Equipment	278,634	25,074	-	303,708	9.00%
Vehicles	1,561,940	150,000	223,574	1,935,514	23.92%
Construction in progress	672,785	-	(672,785)	-	-100.00%
	<u>2,659,610</u>	<u>184,799</u>	<u>(449,211)</u>	<u>2,395,198</u>	<u>-9.94%</u>
Accumulated depreciation	1,316,242	140,207	(343,147)	1,113,302	-15.42%
Capital assets, net	<u>\$ 1,343,368</u>	<u>\$ 44,592</u>	<u>\$ (106,064)</u>	<u>\$ 1,281,896</u>	<u>-4.58%</u>

Little Egg Harbor Township Fire District #2 Management's Discussion and Analysis (continued)

	2014 GAAP Basis	Additions	Deletions	2015 GAAP Basis	Percentage Increase (Decrease)
Capital assets					
Apparatus	\$ 146,251	\$ -	\$ -	\$ 146,251	0.00%
Equipment	261,208	17,426		278,634	6.67%
Vehicles	1,551,940	10,000	-	1,561,940	0.64%
Construction in progress	-	672,785	-	672,785	100.00%
	<u>1,959,399</u>	<u>700,211</u>	<u>-</u>	<u>2,659,610</u>	<u>35.74%</u>
Accumulated depreciation	<u>1,182,326</u>	<u>133,916</u>	<u>-</u>	<u>1,316,242</u>	<u>11.33%</u>
Capital assets, net	<u>\$ 777,073</u>	<u>\$ 566,295</u>	<u>\$ -</u>	<u>\$ 1,343,368</u>	<u>72.88%</u>

The District accounted for its purchase of equipment and vehicle. In 2015, the District purchased a new pumper-tanker truck which the District financed it with Commerce Bank. The truck was completed and delivered to the District during 2016.

Debts

At year end, the District had \$859,306 in capital leases payable outstanding versus \$1,000,390 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 base and 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.

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, 2016 and 2015, 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 as applied to governmental units 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; 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 an opinion 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 audits 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 auditors' 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, 2016 and 2015, 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 A6 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 is 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 2016 and 2015 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 September 11, 2017 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.

Withum Smith + Brown, PC

September 11, 2017

**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, 2016 and 2015, 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 September 11, 2017.

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 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* or audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Withum Smith + Brown, PC

September 11, 2017

BASIC FINANCIAL STATEMENTS

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2016

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Position</u>
Assets					
Cash	\$ 1,083,035	\$ -	\$ 1,083,035	\$ -	\$ 1,083,035
Prepaid expenses	31,954	-	31,954	-	31,954
Interfund receivable	-	618,278	618,278	(618,278)	-
Deferred charges to future taxation	-	1,380,623	1,380,623	(1,380,623)	-
Capital assets, net	-	-	-	1,281,896	1,281,896
Total assets	<u>\$ 1,114,989</u>	<u>\$ 1,998,901</u>	<u>\$ 3,113,890</u>	<u>\$ (717,005)</u>	<u>\$ 2,396,885</u>
Liabilities					
Current liabilities:					
Accounts payable	\$ 14,189	\$ -	\$ 14,189	\$ -	\$ 14,189
Accrued expenses	9,300	-	9,300	-	9,300
Reserve for LOSAP trust	69,316	-	69,316	-	69,316
Interfund payable	618,278	-	618,278	(618,278)	-
Improvement authorizations	-	349,317	349,317	(349,317)	-
Capital lease payable - current	-	145,976	145,976	-	145,976
Total current liabilities	711,083	495,293	1,206,376	(967,595)	238,781
Other liabilities:					
Capital lease payable - long-term	-	713,330	713,330	-	713,330
Total liabilities	711,083	1,208,623	1,919,706	(967,595)	952,111
Fund Balances and Net Position					
Fund balances:					
Committed:					
Capital improvements	-	720,278	720,278	(720,278)	-
Assigned:					
Appropriation reserves	82,180	-	82,180	(82,180)	-
Designated for subsequent years' expenditures	96,500	70,000	166,500	(166,500)	-
Unassigned:					
General fund	225,226	-	225,226	(225,226)	-
Total fund balances	<u>403,906</u>	<u>790,278</u>	<u>1,194,184</u>	<u>(1,194,184)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,114,989</u>	<u>\$ 1,998,901</u>	<u>\$ 3,113,890</u>		
Net position:					
Net investment in capital assets				422,590	422,590
Restricted for capital acquisitions				618,278	618,278
Unrestricted				403,906	403,906
Total net position				<u>1,444,774</u>	<u>1,444,774</u>
Total liabilities and net position				<u>\$ (717,005)</u>	<u>\$ 2,396,885</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 Position and Governmental Funds Balance Sheet
December 31, 2015

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Position</u>
Assets					
Cash	\$ 922,735	\$ -	\$ 922,735	\$ -	\$ 922,735
Prepaid expenses	27,411	-	27,411	-	27,411
Interfund receivable	-	518,278	518,278	(518,278)	-
Deferred charges to future taxation	-	1,601,707	1,601,707	(1,601,707)	-
Capital assets, net	-	-	-	1,343,368	1,343,368
Total assets	<u>\$ 950,146</u>	<u>\$ 2,119,985</u>	<u>\$ 3,070,131</u>	<u>\$ (776,617)</u>	<u>\$ 2,293,514</u>
Liabilities					
Current liabilities:					
Accounts payable	\$ 5,266	\$ -	\$ 5,266	\$ -	\$ 5,266
Accrued expenses	9,110	-	9,110	-	9,110
Reserve for LOSAP trust	49,766	-	49,766	-	49,766
Interfund payable	518,278	-	518,278	(518,278)	-
Improvement authorizations	-	429,317	429,317	(429,317)	-
Capital lease payable - current	-	141,084	141,084	-	141,084
Total current liabilities	<u>582,420</u>	<u>570,401</u>	<u>1,152,821</u>	<u>(947,595)</u>	<u>205,226</u>
Other liabilities:					
Capital lease payable - long term	-	859,306	859,306	-	859,306
Total liabilities	<u>582,420</u>	<u>1,429,707</u>	<u>2,012,127</u>	<u>(947,595)</u>	<u>1,064,532</u>
Fund Balances and Net Position					
Fund balances:					
Committed:					
Capital improvements	-	690,278	690,278	(690,278)	-
Assigned:					
Appropriation reserves	154,261	-	154,261	(154,261)	-
Designated for subsequent years' expenditures	46,000	-	46,000	(46,000)	-
Unassigned:					
General fund	167,465	-	167,465	(167,465)	-
Total fund balances	<u>367,726</u>	<u>690,278</u>	<u>1,058,004</u>	<u>(1,058,004)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 950,146</u>	<u>\$ 2,119,985</u>	<u>\$ 3,070,131</u>		
Net position:					
Net investment in capital assets				342,978	342,978
Restricted for capital acquisitions				518,278	518,278
Unrestricted				367,726	367,726
Total net position				<u>1,228,982</u>	<u>1,228,982</u>
Total liabilities and net position				<u>\$ (776,617)</u>	<u>\$ 2,293,514</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 Revenues, Expenses and Changes in Governmental
Fund Balances and Net Position
Year Ended December 31, 2016

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures:					
Operating appropriations	\$ 462,006	\$ -	\$ 462,006	\$ (35,675)	\$ 426,331
Reserve for future capital outlays	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>
Total expenditures	562,006	-	562,006	(135,675)	426,331
Revenues and other financing sources:					
General revenues:					
District taxes	598,186	-	598,186	-	598,186
Gain of sale of asset	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,937</u>	<u>43,937</u>
Total general revenues	598,186	-	598,186	43,937	642,123
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>598,186</u>	<u>100,000</u>	<u>698,186</u>	<u>(56,063)</u>	<u>642,123</u>
Excess of revenues and transfers over expenditures	36,180	100,000	136,180	(136,180)	-
Changes in net position	-	-	-	215,792	215,792
Fund balances / net position:					
Beginning of year	<u>367,726</u>	<u>690,278</u>	<u>1,058,004</u>	<u>170,978</u>	<u>1,228,982</u>
End of year	<u>\$ 403,906</u>	<u>\$ 790,278</u>	<u>\$ 1,194,184</u>	<u>\$ 250,590</u>	<u>\$ 1,444,774</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 Revenues, Expenses and Changes in Governmental
Fund Balances and Net Position
Year Ended December 31, 2015

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures:					
Operating appropriations	\$ 364,884	\$ -	\$ 364,884	\$ 45,139	\$ 410,023
Reserve for future capital outlays	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>
Total expenditures	464,884	-	464,884	(54,861)	410,023
Revenues and other financing sources:					
General revenues:					
District taxes	573,145	-	573,145	-	573,145
Miscellaneous income	<u>58</u>	<u>-</u>	<u>58</u>	<u>10,000</u>	<u>10,058</u>
Total general revenues	573,203	-	573,203	10,000	583,203
Transfers:					
Reserve for future capital outlays	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>
Total transfers	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>
Total general revenues and transfers	<u>573,203</u>	<u>100,000</u>	<u>673,203</u>	<u>(90,000)</u>	<u>583,203</u>
Excess of revenues and transfers over expenditures	108,319	100,000	208,319	(208,319)	-
Changes in net position	-	-	-	173,180	173,180
Fund balances / net position:					
Beginning of year	<u>259,407</u>	<u>590,278</u>	<u>849,685</u>	<u>206,117</u>	<u>1,055,802</u>
End of year	<u>\$ 367,726</u>	<u>\$ 690,278</u>	<u>\$ 1,058,004</u>	<u>\$ 170,978</u>	<u>\$ 1,228,982</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, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2016 and 2015 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.

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.

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.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2016 and 2015

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 and firefighting equipment. The financial resources are from reservation of fund balance that are specifically authorized by the voters as a separate questions on the ballot either during the annual election or at special election.

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 position.

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 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. Significant estimates include the useful lives of capital assets and depreciation expense.

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.

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.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2016 and 2015

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.

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.

Fixed Assets

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

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

The cost of normal maintenance and repairs that do not add the value to the assets or materially extended assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Depreciation of all fixed assets is recorded as an operating expense in the Statements of Revenues, Expenses and Changes in Governmental Fund Balances and Net Position with accumulated depreciation reflected in the Statement of Net Position 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.

Impairment of Capital Assets

In accordance with the provisions of the pronouncement related to accounting and financial reporting for impairment of capital assets, the District assesses capital assets for impairment whenever events or changes in circumstances indicate that the service utility of the capital asset have both significantly and unexpectedly declined. For the years ended December 31, 2016 and 2015 management has determined that there was no impairment of capital assets.

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 Statements of Revenues, Expenses, and Changes in Governmental Fund Balances and Net Position.

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 Statements of Net Position and Governmental Funds Balance Sheet.

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.

Net Position

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, 2016 and 2015

Government-wide Basis

Net position is displayed in three components:

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

Advertising

The District expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2016 and 2015 approximated \$1,000 and \$2,000, respectively.

2. ADJUSTMENT TO ARRIVE AT NET POSITION

Interfund Receivables and Payables

For the years ended December 31, 2016 and 2015 interfund receivables and payables in the amount of \$618,278 and \$518,278, respectively, have been eliminated in arriving at the government-wide presentation.

Capital Assets – Net and Net Investment in Capital Assets

For the years ended December 31, 2016 and 2015 capital assets, net in the amount of \$1,281,896 and \$1,343,368, respectively, and net investment in capital assets in the amount of \$422,590 and \$342,978, respectively, have been included in the government-wide presentation.

Fund Balances, Unrestricted Net Position, and Net Position Restricted for Capital Acquisitions

For the years ended December 31, 2016 and 2015 fund balances in the amount of \$1,194,184 and \$1,058,004, respectively, have been eliminated. Unrestricted net position in the amount of \$403,906 and \$367,726, respectively and net position restricted for capital acquisitions in the amount of \$618,278 and \$518,278, respectively, have been included in the government-wide presentation.

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, 2016 and 2015 improvement authorizations in the amount of \$349,317 and \$429,317, respectively, have been eliminated in arriving at the government-wide presentation.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2016 and 2015

Deferred Charges to Future Taxation

For the years ended December 31, 2016 and 2015 deferred charges to future taxation in the amount of \$1,380,623 and \$1,601,707, respectively, have been eliminated in arriving at the government-wide presentation.

3. ADJUSTMENTS TO ARRIVE AT THE CHANGES IN NET POSITION

Operating Appropriations

For the year ended December 31, 2016 depreciation expense in the amount of \$140,207 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 have been decreased by \$34,798. In addition, principal payments on capital leases have been decreased by \$141,084. The net effect on operating appropriations is a decrease of \$35,675.

For the year ended December 31, 2015 depreciation expense in the amount of \$133,916 has been included in the government-wide presentation. Additionally, to account for fixed asset purchases expensed under the fund basis of accounting, office supplies have been decreased by \$1,387, non-bondable assets have been decreased by \$7,319 and uniforms clothing and equipment has been decreased by \$8,720. In addition, principal payments on capital leases have been decreased by \$71,351. The net effect on operating appropriations is an increase of \$45,139.

Reserve for Future Capital Outlays and Related Transfer

For both years ended December 31, 2016 and 2015, reserve for future capital outlays and related transfer have been reduced by \$100,000 on the government-wide presentation to eliminate the general fund expenditure and capital fund revenue related to the creation of improvement authorizations.

Gain on Sale of Asset and Miscellaneous Income

The gain on the trade in of a vehicle and a donated asset, are recognized as an asset and revenue under U.S. generally accepted accounting principles, but not required to be reported under fund basis of accounting. Therefore, for the year ended December 31, 2016 gain on sale of asset in the amount of \$43,937 and for the year ended December 31, 2015 miscellaneous income in the amount of \$10,000 have been included in the government-wide presentation.

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

Little Egg Harbor Township Fire District No. 2
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Notes to Financial Statements
December 31, 2016 and 2015

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 deposit.

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.
- (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, 2016 and 2015 the District's cash accounts consisted of:

	2016	2015
Sun National Bank – Checking	\$ 1,082,235	\$ 921,935
Petty Cash	800	800
Total Cash	<u>\$ 1,083,035</u>	<u>\$ 922,735</u>

The carrying amount of the Board's cash and cash equivalents at December 31, 2016 was \$1,083,035 and the bank balance was \$1,090,902. Of the balance, \$250,000 was covered by federal depository insurance and \$840,902 was covered by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2016 and 2015

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	840,902
Category 3	Cash on hand 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.

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.

Little Egg Harbor Township Fire District No. 2
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Notes to Financial Statements
December 31, 2016 and 2015

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, 2016 and 2015, the fire tax rate on Fire District No. 2 was \$.072 and \$.070, respectively, per \$100 of assessed valuation.

7. LONG-TERM DEBT

Capital Lease

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.

On August 10, 2015, the District entered into a lease agreement with Commerce Bank to finance the purchase of one new pumper-tanker fire truck from Pierce Manufacturing, Inc. The financed amount for this truck is \$500,785. The final payment is due on August 13, 2022.

Interest expense on these capital leases amounted to \$34,101 and \$25,293 for the years ended December 31, 2016 and 2015, respectively.

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			Balance at		
	12/31/15	Additions	Reductions	12/31/16	Current	Non-current
Aerial fire truck	\$ 499,605	\$ -	\$ 74,511	\$ 425,094	\$ 77,812	\$ 347,282
Pierce pumper-tanker	500,785	-	66,573	434,212	68,164	366,048
	<u>\$ 1,000,390</u>	<u>\$ -</u>	<u>\$ 141,084</u>	<u>\$ 859,306</u>	<u>\$ 145,976</u>	<u>\$ 713,330</u>

	Balance at			Balance at		
	12/31/14	Additions	Reductions	12/31/15	Current	Non-current
Aerial fire truck	\$ 570,956	\$ -	\$ 71,351	\$ 499,605	\$ 74,511	\$ 425,094
Pierce pumper-tanker	-	500,785	-	500,785	66,573	434,212
	<u>\$ 570,956</u>	<u>\$ 500,785</u>	<u>\$ 71,351</u>	<u>\$ 1,000,390</u>	<u>\$ 141,084</u>	<u>\$ 859,306</u>

Future debt service requirements for capital leases are as follows:

Fiscal Year	Payment	Interest	Principal	Principal Balance
2017	\$ 175,185	\$ 29,209	\$ 145,976	\$ 713,330
2018	175,185	24,133	151,052	562,278
2019	175,186	18,866	156,320	405,958
2020	175,186	13,398	161,788	244,170
2021	175,186	7,724	167,462	76,708
2022	253,727	1,833	76,708	-
	<u>\$ 1,129,655</u>	<u>\$ 95,163</u>	<u>\$ 859,306</u>	

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2016 and 2015

8. CAPITAL ASSETS

The following schedules are a summarization of the capital assets by source for the years ended December 31, 2016 and 2015:

Description	December 31, 2015	Additions	Transfers/ Deletions	December 31, 2016
Capital assets not being depreciated:				
Construction in progress	\$ 672,785	\$ -	\$ (672,785)	\$ -
Capital assets being depreciated:				
Apparatus	146,251	9,725	-	155,976
Equipment	278,634	25,074	-	303,708
Vehicles	1,561,940	150,000	223,574	1,935,514
Total	1,986,825	184,799	223,574	2,395,198
Less accumulated depreciation:				
Apparatus	146,251	695	-	146,946
Equipment	250,928	10,538	-	261,466
Vehicles	919,063	128,974	(343,147)	704,890
Total	1,316,242	140,207	(343,147)	1,113,302
Net capital assets	<u>\$ 1,343,368</u>	<u>\$ 44,592</u>	<u>\$ (106,064)</u>	<u>\$ 1,281,896</u>

Description	December 31, 2014	Additions	Deletions	December 31, 2015
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 672,785	\$ -	\$ 672,785
Capital assets being depreciated:				
Apparatus	146,251	-	-	146,251
Equipment	261,208	17,426	-	278,634
Vehicles	1,551,940	10,000	-	1,561,940
Total	1,959,399	27,426	-	1,986,825
Less accumulated depreciation:				
Apparatus	146,251	-	-	146,251
Equipment	243,135	7,793	-	250,928
Vehicles	792,940	126,123	-	919,063
Total	1,182,326	133,916	-	1,316,242
Net capital assets	<u>\$ 777,073</u>	<u>\$ 566,295</u>	<u>\$ -</u>	<u>\$ 1,343,368</u>

Depreciation expense for the years ended December 31, 2016 and 2015 amounted to \$140,207 and \$133,916, respectively.

In 2016, the District traded in a vehicle which resulted in a gain of \$43,936.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2016 and 2015

Capital assets acquired through capital lease obligation consisted of the following at December 31:

	2016	2015
Vehicle	\$ 1,600,683	\$ 1,450,683
Less – accumulated depreciation	<u>390,819</u>	<u>291,712</u>
	<u>\$ 1,209,864</u>	<u>\$ 1,158,971</u>

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 \$70,917 for the fire company to provide personnel for fire and other emergency services. In the second agreement, the District paid the fire company \$33,000 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. LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

The District maintains a LOSAP in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The Program permits the District to provide tax-deferred income benefits to active volunteer members of an emergency service organization. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the Program and all income attributed to those amounts are the exclusive property of the Fire District, subject to the claims of its general creditors. Participants' rights under the Program are equal to those of a general creditor of the Fire District in an amount equal to the fair market value of the deferred account for each participant. It is unlikely that the Fire District would use Program assets to satisfy claims of the general creditors in the future.

The contribution is not based on compensation. New Jersey Statutes set the contribution limits. The contributions for 2016 and 2015 were \$14,950.

12. SUBSEQUENT EVENTS

The District has evaluated subsequent events occurring after December 31, 2016 through the date of September 11, 2017, 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.

**BOARD OF FIRE COMMISSIONERS
LITTLE EGG HARBOR TOWNSHIP
FIRE DISTRICT #2**

SUPPLEMENTARY INFORMATION

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual – All Governmental Fund Types
Year Ended December 31, 2016

	<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>	<u>Budgetary Variance</u>
General revenues:								
District taxes	\$ 598,186	\$ -	\$ 598,186	\$ -	\$ 598,186	\$ 598,186	\$ 598,186	\$ -
Surplus anticipated unreserved	-	-	-	-	-	46,000	46,000	(46,000)
Gain on sale of asset	-	-	-	43,937	43,937 (1)	-	-	-
Total revenues	598,186	-	598,186	43,937	642,123	644,186	644,186	(46,000)
Transfers:								
Reserve for future capital outlays	-	100,000	100,000	(100,000)	-	-	-	100,000
Total transfers	-	100,000	100,000	(100,000)	-	-	-	100,000
Total general revenues and transfers	598,186	100,000	698,186	(56,063)	642,123	644,186	644,186	54,000
Expenditures:								
Operating appropriations:								
Administration:								
Election	1,497	-	1,497	-	1,497	2,000	2,000	503
Office services	2,000	-	2,000	-	2,000	2,000	2,000	-
Office supplies	444	-	444	-	444	4,000	4,000	3,556
Professional services	20,312	-	20,312	-	20,312	25,000	25,000	4,688
Travel expenses	4,431	-	4,431	-	4,431	11,000	10,000	5,569
Total administration	28,684	-	28,684	-	28,684	44,000	43,000	14,316
Operations and maintenance								
Fringe benefits:								
LOSAP	34,500	-	34,500	-	34,500	34,500	34,500	-
Employee benefits	18,721	-	18,721	-	18,721	23,000	24,103	5,382
Total fringe benefits	53,221	-	53,221	-	53,221	57,500	58,603	5,382
Other expenses:								
Advertising	1,276	-	1,276	-	1,276	4,000	4,000	2,724
Insurance	29,019	-	29,019	-	29,019	35,000	33,897	4,878
Maintenance and repairs	15,173	-	15,173	-	15,173	44,000	44,000	28,827

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 Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual – All Governmental Fund Types
Year Ended December 31, 2016

	<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>	<u>Budgetary Variance</u>
(continued)								
Membership and dues	300	-	300	-	300	1,000	1,000	700
Non-bondable assets	45,673	-	45,673	(34,798) (1)	10,875	48,000	48,000	2,327
Supplies expense	290	-	290	-	290	500	500	210
Training and education	6,851	-	6,851	-	6,851	6,000	7,000	149
Uniforms - clothing and equipment	1,130	-	1,130	-	1,130	8,000	8,000	6,870
Utilities	1,287	-	1,287	-	1,287	9,000	9,000	7,713
Fire protection services	70,917	-	70,917	-	70,917	71,000	71,000	83
Leases principal	141,084	-	141,084	(141,084) (1)	-	141,085	141,085	1
Interest expense	34,101	-	34,101	-	34,101	34,101	34,101	-
Other rentals	33,000	-	33,000	-	33,000	41,000	41,000	8,000
Depreciation expense	-	-	-	140,207 (1)	140,207	-	-	-
Total other expenses	<u>380,101</u>	<u>-</u>	<u>380,101</u>	<u>(35,675)</u>	<u>344,426</u>	<u>442,686</u>	<u>442,583</u>	<u>62,482</u>
Total operations and maintenance	<u>433,322</u>	<u>-</u>	<u>433,322</u>	<u>(35,675)</u>	<u>397,647</u>	<u>500,186</u>	<u>501,186</u>	<u>67,864</u>
Total operating appropriations	462,006	-	462,006	(35,675)	426,331	544,186	544,186	82,180
Capital appropriations:								
Reserve for future capital outlays	<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 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>562,006</u>	<u>-</u>	<u>562,006</u>	<u>(135,675)</u>	<u>426,331</u>	<u>644,186</u>	<u>644,186</u>	<u>82,180</u>
Excess of revenue and transfers over expenditures	36,180	100,000	136,180	(136,180)	-	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136,180</u>
Changes in net assets	-	-	-	215,792	215,792			
Fund balances, beginning of the year	<u>367,726</u>	<u>690,278</u>	<u>1,058,004</u>	<u>170,978</u> (2)	<u>1,228,982</u>			
Fund balances, end of the year	<u>\$ 403,906</u>	<u>\$ 790,278</u>	<u>\$ 1,194,184</u>	<u>\$ 250,590</u>	<u>\$ 1,444,774</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
Notes to Supplementary Information
Year Ended December 31, 2016

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".

B. Budgetary-To-GAAP Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with accounting principles generally accepted in the United States of America 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.	\$ 141,084
Encumbrances for fixed asset purchases are reported as expenses in the year the orders are placed for budgetary purposes. For GAAP purpose, these purchases are capitalized in the year received.	34,798
Depreciation expense is not recorded on the budgetary basis of accounting. For GAAP purpose, capitalized assets are depreciated on a straight line basis over their respective useful lives.	(140,207)
Gain on sale of asset is not recorded on the budgetary basis of accounting. For GAAP purposes, it is revenue in the year recognized.	<u>43,937</u>
Net increase in fund balance – budget to GAAP	79,612
(2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the	

See Independent Auditors' Report.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Notes to Supplementary Information
Year Ended December 31, 2016

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.

170,978

\$ 250,590

C. Budget Cancellation

Regulations allow the District to cancel unexpended appropriations before year end by resolution. During the year ended December 31, 2016, the District did not cancel any of appropriations resulting in a reservation of fund balance as follows:

Adopted budget	\$ 644,186
Expenditures	<u>562,006</u>
Favorable variance	82,180
Canceled	<u>-</u>
Fund balance reserve	<u>\$ 82,180</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, 2016

Purpose	Balance	2016	2016	Balance	December 31, 2016	
	December 31, 2015	Budget Appropriation	Cancellation	December 31, 2016	Funded	Unfunded
Tanker/pumper - tank repair	\$ 40,000	\$ -	\$ 40,000	\$ -	\$ -	\$ -
Command vehicle	40,000	-	40,000	-	-	-
Aerial fire truck	621,707	74,511	-	547,196	-	547,196
Pierce pumper/tanker	900,000	66,573	-	833,427	-	833,427
	<u>\$ 1,601,707</u>	<u>\$ 141,084</u>	<u>\$ 80,000</u>	<u>\$ 1,380,623</u>	<u>\$ -</u>	<u>\$ 1,380,623</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, 2015

Purpose	Balance	2015 Deferred	2015 Budget Appropriation	Balance	December 31, 2015	
	December 31, 2014			December 31, 2015	Funded	Unfunded
Tanker/pumper - tank repair	\$ 40,000	\$ -	\$ -	\$ 40,000	\$ -	\$ 40,000
Command vehicle	40,000	-	-	40,000	-	40,000
Aerial fire truck	693,058	-	71,351	621,707	-	621,707
Pierce pumper/tanker	<u>-</u>	<u>900,000</u>	<u>-</u>	<u>900,000</u>	<u>-</u>	<u>900,000</u> (a)
	<u>\$ 773,058</u>	<u>\$ 900,000</u>	<u>\$ 71,351</u>	<u>\$ 1,601,707</u>	<u>\$ -</u>	<u>\$ 1,601,707</u>

(a) Deferred charges to future taxation for Pierce pumper-tanker in the amount of \$900,000 does not equal to total of lease payable and improvement authorizations for this pumper-tanker. The difference of \$172,000 represents the down payment made in 2015 that the District inadvertently omitted from 2015 budget. See schedule of prior year findings and recommendations on page 34.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Schedule of Improvement Authorizations - Capital Fund
Year Ended December 31, 2016

Purpose	Authorized Appropriation		Balance	2016	2016	2016	Balance	December 31, 2016	
	Date	Amount	December 31, 2015	Authorization	Expenditures	Cancelled	December 31, 2016	Funded	Unfunded
Tanker/pumper - tank repair	12/18/07	\$ 40,000	\$ 40,000	\$ -	\$ -	\$ 40,000	\$ -	\$ -	\$ -
Command vehicle	08/04/09	40,000	40,000	-	-	40,000	-	-	-
Aerial fire truck	12/07/10	900,000	122,102	-	-	-	122,102	-	122,102
Pierce pumper/tanker	08/23/15	900,000	227,215	-	-	-	227,215	-	227,215
		<u>\$ 1,880,000</u>	<u>\$ 429,317</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ 349,317</u>	<u>\$ -</u>	<u>\$ 349,317</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, 2015

Purpose	Authorized Appropriation		Balance	2015 Authorization	2015 Expenditures	2015 Cancelled	Balance	December 31, 2015	
	Date	Amount	December 31, 2014				December 31, 2015	Funded	Unfunded
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
Pierce pumper/tanker	08/23/15	900,000	-	900,000	672,785	-	227,215	-	227,215
Total		\$ 1,880,000	\$ 202,102	\$ 900,000	\$ 672,785	\$ -	\$ 429,317	\$ -	\$ 429,317

See Independent Auditors' Report.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Statistical Information
Years Ended December 31, 2016 and 2015

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 nine (9) years:

<u>Fiscal Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
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
2013	1,152,687,690	554,645	0.049
2014	1,115,198,354	563,973	0.051
2015	822,766,908	573,145	0.070
2016	840,033,008	598,186	0.072

General Fund – Fund Balance before Current Year Appropriation Reserves

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
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
December 31, 2013	143,139	49,000
December 31, 2014	151,996	46,000
December 31, 2015	213,465	46,000
December 31, 2016	321,726	96,500

Capital Fund – Fund Balance

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
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	-
December 31, 2013	435,700	-
December 31, 2014	590,278	-
December 31, 2015	690,278	-
December 31, 2016	790,278	70,000

See Independent Auditors' Report.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Roster of Officials
Years Ended December 31, 2016 and 2015

The following Officials were in the office during the period under audit:

<u>Board of Commissioners</u>	<u>Position</u>	<u>Amount of Surety Bond*</u>	<u>Term Expiration</u>
Russell Gulbert	Chairman	\$ 250,000*	2018
Michael Caronia	Asst. Chairman	250,000*	2019
Thomas Norgard	Treasurer	400,000*	2017
Jeff Chaplin	Clerk	250,000*	2017
William Maguire	Asst. Clerk	250,000*	2019

Other Official

Richard M. Braslow Board Attorney

* Blanket Bond Coverage

Surety Company

American Alternative Insurance Corp.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Comments and Recommendations
Years Ended December 31, 2016 and 2015

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, 2016 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 five (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 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.

[See Independent Auditors' Report.](#)

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Comments and Recommendations
Years Ended December 31, 2016 and 2015

Recommendations

None

Prior Year Comments

See schedule of prior year findings and recommendations.

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,



September 11, 2017

**Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Schedule of Findings and Recommendations
Years Ended December 31, 2016 and 2015**

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.

Material Weaknesses

None

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Schedule of Prior Year Findings and Recommendations
Years Ended December 31, 2016 and 2015

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 deficiency

Finding #2015 – 001

During our audit of the District's improvement authorizations, we noted the District made a down payment for the purchase of a new Pierce pumper-tanker without funds being provided.

Status:

Of the \$172,000 unfunded, the District has provided \$100,000 in the 2017 budget and \$72,000 to be provided in 2018 budget.