

HOWELL TOWNSHIP FIRE DISTRICT #5

Financial Statements

For the Years Ended December 31, 2010 and 2009

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INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Howell Township Fire District #5
Tinton Falls, NJ 07105

We examined the financial statements of the various funds of the Howell Township Fire District #5 as of December 31, 2010 and 2009 and for the years then ended as listed in the foregoing table of contents. These financial statements are the responsibility of the Fire District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with governmental auditing standards generally accepted in the United States of America, government auditing standards issued by the Comptroller General of the United States and 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note #1, Howell Township Fire District #5 prepares its financial statements on a modified accrual basis of accounting that demonstrates compliance with accounting principles and practices as described by the Division of Local Government Services Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of the various funds of the Howell Township Fire District #5 at December 31, 2010 and 2009, and the results of operations for the years then ended, on a basis of accounting described in Note #5.

Our audit was made for the purpose of forming an opinion of the general purpose financial statements taken as a whole. The information included in the supplementary schedules is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

BART & BART

May 11, 2011

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HOWELL TOWNSHIP FIRE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2010

Unaudited

This discussion and analysis of Howell Township Fire District No. 1's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2010 as compared to 2009 are as follows:

Total fund balance decreased \$107,589 from 2009. The unreserved fund balance of the District is a useful indicator of the financial health of the District. The following table shows the past 6-year history of the District's unreserved fund balance:

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
12/31/03	297,900	162,720
12/31/04	390,515	78,300
12/31/05	578,123	95,800
12/31/06	362,240	110,300
12/31/07	196,730	136,300
12/31/09	315,221	149,420
12/31/10	435,852	149,420
12/31/10	328,213	149,820

General fund revenues and other financial sources decreased by \$67,356, primarily due to grants received of \$43,000 in 2010. District taxes decreased \$20,000. The following table shows the history of the past six years property tax levies per \$100 of assessed valuations on property within the District:

<u>Fiscal Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
12/31/10	836,183,000	597,000	.074
12/31/09	835,628,100	612,880	.074
12/31/10	840,412,700	616,145	.074

Financial Highlights (Continued)

Total cash in the general fund decreased by \$130,990 and total liabilities and reserves increased by \$23,544.

The District had \$612,964 in expenses, an increase of \$150,000, or 32 percent. General revenues and fund balance were adequate to provide for these expenses.

For further information, contact Mr. William Donahue, clerk for the Board of Fire Commissioners, District #5, at PO Box 527, Howell, NJ 07731.

The Board of Commissioners of Fire District #5Township of HowellGeneral FundComparative Balance Sheet

	<u>December 31,</u>	
<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
Cash and Investments	\$ 285,411	\$ 416,401
Loan Receivable - Freewood Acres Fire Co. #1	35,000	35,000
Prepaid Expenses	46,845	-
Total Assets	<u>\$ 367,256</u>	<u>\$ 451,401</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts Payable	\$ 39,043	\$ 15,499
Total Liabilities	<u>39,043</u>	<u>15,499</u>
Fund Balances:		
Total Fund Balance	<u>328,213</u>	<u>435,902</u>
Total Liabilities and Fund Balance	<u>\$ 367,256</u>	<u>\$ 451,401</u>

The Board of Commissioners of Fire District #5
Township of Howell
General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended December 31, 2010

With Comparative Actual Amounts for Period Ended December 31, 2009

	2010		Variance Favorable (Unfavorable)	2009
	Budget	Actual		Actual
<u>Revenues:</u>				
<u>Miscellaneous Revenues:</u>				
Interest on Investments & Deposits	\$ 8,000	\$ 561	\$ (7,439)	\$ 1,264
Supplemental Fire Services Grant	3,570	-	-	3,570
Miscellaneous Revenue	-	-	(3,570)	43,093
Other Grants	-	-	-	-
Total Miscellaneous Revenues	<u>11,570</u>	<u>561</u>	<u>(11,009)</u>	<u>47,917</u>
<u>Other Financing Sources:</u>				
Fund Balance Appropriated - General	149,420	149,420	-	149,420
Total Other Financing Sources	<u>160,990</u>	<u>149,981</u>	<u>(11,009)</u>	<u>197,337</u>
<u>District Taxes:</u>				
Current Operating and Maintenance	412,880	412,880	-	412,880
Capital Outlay	180,000	180,000	-	200,000
Total District Taxes	<u>592,880</u>	<u>592,880</u>	<u>-</u>	<u>612,880</u>
Total Revenues	<u>753,870</u>	<u>742,861</u>	<u>(11,009)</u>	<u>810,217</u>
<u>Expenditures:</u>				
<u>Current Operating Expenditures:</u>				
Administration	33,800	31,074	2,726	22,243
Commissioners' Expense	50,000	49,802	198	51,505
Settlements and Benefits	70,000	44,132	25,868	49,364
Contractual	64,000	60,855	3,145	44,157
Volunteer Fire Company	332,500	264,379	68,121	293,078
Supplemental Fire Services Grant	3,570	-	3,570	-
Contingent	20,000	-	20,000	-
Total Current Operating Expenses	<u>573,870</u>	<u>450,242</u>	<u>123,628</u>	<u>462,307</u>
<u>Capital Appropriations:</u>				
Partially Funded	180,000	162,722	17,278	-
Interest	-	-	-	-
Total Expenditures	<u>753,870</u>	<u>612,964</u>	<u>140,906</u>	<u>462,307</u>
Excess of Revenue over Expenditures	-	129,897	129,897	347,910
Fund Balances Unreserved - Beginning	435,902	435,902	-	315,221
Appropriation of Surplus	(149,420)	(149,420)	-	(149,420)
Transfer to General Fund Assets Group	-	(88,166)	(88,166)	(77,810)
Fund Balances Unreserved - Ending	<u>\$ 286,482</u>	<u>\$ 328,213</u>	<u>\$ 41,731</u>	<u>\$ 435,902</u>

See notes to financial statements.

The Board of Commissioners of Fire District #5
Township of Howell
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2010
With Comparative Actual Amounts for Period Ended December 31, 2009

	<u>2010</u>		<u>Variance</u>	<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>	<u>Actual</u>
			<u>(Unfavorable)</u>	
<u>Current Operating Expenditures:</u>				
Administration:				
Office Supplies and Postage	\$ 1,500	\$ 6,348	\$ (4,848)	\$ 3,651
Professional Fees	30,000	19,154	10,846	15,895
Elections	800	815	(15)	787
Advertising	1,000	495	505	883
Memberships and Dues	500	371	129	527
License & Fees	-	3,891	(3,891)	500
Total Administration	<u>33,800</u>	<u>31,074</u>	<u>2,726</u>	<u>22,243</u>
Commissioners' Expense:				
Commissioners' Compensation	50,000	49,802	198	51,505
Settlements and Benefits:				
LOSAP	70,000	44,132	25,868	49,324
Total Salaries and Benefits	<u>70,000</u>	<u>44,132</u>	<u>25,868</u>	<u>49,324</u>
Contractual:				
Fire Hydrant Service	64,000	60,855	3,145	44,157
Volunteer Fire Company:				
Insurance	70,000	56,560	13,350	64,140
Training	20,000	8,917	11,083	9,727
Operating Materials & Supplies	2,500	13,754	(11,254)	11,661
Fuel	30,000	19,733	10,267	5,579
Other Rentals	65,000	65,000	-	65,000
Purchase of Nonbondable Assets	75,000	26,899	48,101	44,405
Utilities and Related Expense	20,000	23,899	(3,899)	36,875
Maintenance and Repairs	20,000	38,177	(18,177)	21,728
Uniforms and Personal Equipment	30,000	11,350	18,650	35,963
Travel	-	-	-	-
Total Volunteer Fire Company	<u>332,500</u>	<u>264,379</u>	<u>68,121</u>	<u>295,078</u>
Contingent	20,000	-	20,000	-
Supplemental Fire Services Grant:				
State Share	3,570	-	3,570	-
Total Current Operating Expenditures	<u>\$ 573,870</u>	<u>\$ 450,242</u>	<u>\$ 123,628</u>	<u>\$ 462,307</u>

See notes to financial statements.

The Board of Commissioners of Fire District #5

Township of Howell

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended December 31, 2010

With Comparative Actual Amounts for Period Ended December 31, 2009

	<u>2010</u>		<u>Variance</u>	<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>	<u>Actual</u>
			<u>(Unfavorable)</u>	
<u>Capital Appropriations:</u>				
Partially Funded Future Capital Outlay	<u>\$ 180,000</u>	<u>\$ 162,722</u>	<u>\$ 17,278</u>	<u>\$ -</u>
Total Capital Appropriations	<u>180,000</u>	<u>162,722</u>	<u>17,278</u>	<u>-</u>
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 180,000</u>	<u>\$ 162,722</u>	<u>\$ 17,278</u>	<u>\$ -</u>

See notes to financial statements.

The Board of Commissioners of Fire District #5Township of HowellGeneral Fixed Assets Account GroupComparative Balance SheetDecember 31, 2010 and 2009

	<u>ASSETS</u>	
	<u>2010</u>	<u>2009</u>
Building and Improvements	\$ 512,395	\$ 485,395
Fire Equipment	1,265,893	1,177,728
Fire Apparatus	2,911,259	2,741,000
Computer Systems and Equipment	38,380	38,380
Deposit - New Truck	-	-
Total Assets	<u>\$ 4,727,927</u>	<u>\$4,442,503</u>
Less Accumulated Depreciation:		
Building and Improvements	343,792	333,009
Equipment	<u>570,457</u>	<u>868,747</u>
Total Accumulated Depreciation	<u>914,249</u>	<u>1,201,755</u>
Total Net Assets	<u>\$ 3,813,678</u>	<u>\$3,240,748</u>
	<u>FUND BALANCE</u>	
Investment in General Fixed Assets	<u>\$ 3,813,678</u>	<u>\$3,316,462</u>

See notes to financial statements.

The Board of Commissioners of Fire District #5
Township of Howell
General Fixed Assets Account Group
Statement of Revenues, Expenditures and Fund Balance
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Revenues and Other Financing Sources:</u>		
Purchase of Equipment - Net	\$ 723,377	\$ 58,028
Total Revenue and Other Financing Sources	<u>723,377</u>	<u>58,028</u>
<u>Charges:</u>		
Depreciation	<u>150,447</u>	<u>133,742</u>
Total charges	<u>150,447</u>	<u>133,742</u>
Excess of Revenue Over Expenditures	572,930	(75,714)
Fund Balance, Beginning of Year	<u>3,240,748</u>	<u>3,316,462</u>
Fund Balance, End of Year	<u>\$3,813,768</u>	<u>\$3,240,748</u>

See notes to financial statements.

The Board of Commissioners
Howell Township Fire District #5
Notes to Financial Statements
For the Year Ended December 31, 2010

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Howell Township Fire District #5 (the "District") conform to the accounting principles applicable to special districts which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect public funds.

The financial statements include:

General Fund - Resources and expenditures for governmental operations of a general nature, including federal and state grant funds, except as otherwise noted.

Capital Fund - Resources and expenditures for the acquisition of general capital facilities, other than those acquired through the general fund, including the status of bonds and notes authorized for said purposes.

General Fixed Assets Account Group - Shows the District's investment in buildings and equipment, net of accumulated depreciation.

The following is a summary of the significant policies:

Basis of Accounting - The modified accrual basis of accounting is followed. Revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the fiscal period. Expenditures are recognized in the period in which the fund liability is incurred, if measurable, except that unmatured interest and principal on general obligation debt are accounted for as expenditures in the year becoming due and payable.

Inventories of Supplies - Purchases of materials and supplies are recognized and recorded as expenditures when they are acquired, regardless of when used.

The Board of Commissioners
Howell Township Fire District #5
Notes to Financial Statements
For the Year Ended December 31, 2010

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets - Property, plant and equipment purchased by the current fund and the general capital fund are recorded as expenditures at the time of purchase. The historical cost, or if such cost is not practically determinable, the estimated historical cost of such fixed assets is reflected in the General Fixed Assets group of accounts.

The cost of normal maintenance and repairs that do not add to the value of the asset 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.

Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	20
Fire Trucks	25
Other Vehicles	5
Equipment	10

Depreciation expense for the years ending December 31, 2010 and 2009 was \$150,447 and \$133,742 respectively.

Capital Fund - The accounting for expenditures for property, plant and equipment financed by debt authorized or from restricted grant funds is contained in the general capital fund, as is the related debt issued and outstanding. The acquisition and construction cost of such assets, when completed, is reflected in the General Fixed Assets group of accounts.

The Board of Commissioners
Howell Township Fire District #5
Notes to Financial Statements
For the Year Ended December 31, 2010

Note 2. LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)

The Fire District offers its volunteers a Length of Service Awards Program in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. 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.

Note 3. LOAN RECEIVABLE

The Board lent funds to Freewood Acres Fire Company No. 1 for a capital improvement. There was no repayment in 2010 or 2009. The Fire District paid rent to the Company for use of its fire station. The amount paid for this rent was \$65,000 and \$65,000 in 2010 and 2009.

Note 4. LEASE PAYABLE

On August 11, 2010, the District, in order to acquire a new Aerial ladder truck and custom pumper truck, entered into a lease agreement with Capital One Funding Corp. as Lessor pursuant to a competitive bid awarded on November 17, 2009 at an interest rate of 4.572%. The minimum annual payments called for under the lease are as follows:

<u>Payment Date</u>	<u>Total Annual Payment</u>	<u>Interest</u>	<u>Principal</u>
1/1/2011	129,657.16	19,068.12	110,589.04
1/1/2012	129,657.16	42,947.77	86,709.39
1/1/2013	129,657.16	38,983.61	90,673.55
1/1/2014	129,657.16	34,838.22	94,818.94
1/1/2015	129,657.16	30,503.31	99,153.85
1/1/2016	129,657.16	25,970.22	103,686.94
1/1/2017	129,657.16	21,229.88	108,427.28
1/1/2018	129,657.16	16,272.83	113,384.33
1/1/2019	129,657.16	11,089.15	118,568.01
1/1/2020	129,657.16	5,668.49	123,988.67
Totals	<u>\$1,296,571.60</u>	<u>\$246,571.60</u>	<u>\$1,050,000.00</u>

The Board of Commissioners of Fire District #5

Township of Howell

Roster of Officials

December 31, 2010

ROSTER OF OFFICIALS

<u>NAME</u>		<u>AMOUNT OF BLANKET BOND</u>
<u>Board of Commissioners:</u>		
Jeffrey Hodges	Commissioner	\$ 300,000
John Smith	Chairman	300,000
Edna Donahue	Treasurer	300,000
William Donahue	Clerk	300,000
Robert Donahue	Vice Chairman	300,000

Surety Company:

American Alternative Insurance Corp.

Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

To The Board of Fire commissioners
Howell Township Fire District #5

We have audited the financial statements of Howell Township Fire District #5 as of December 31, 2009 and for the year ended December 31, 2010, and have issued our report thereon dated, May 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and audit requirements as prescribed by the State of New Jersey.

Compliance

As part of obtaining reasonable assurance about whether Howell Township Fire District #5's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit for the financial statements of Howell Township Fire District #5, for the year ended December 31, 2010, we considered its internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we considered to be a significant deficiency under standards established by the American Institute of Certified Public Accountants. Significant deficiencies involve matters coming to our attention relating to the design or operation of internal control that, in our judgement, could adversely affect the organization's ability to initiate record, process and report financial data consistent with assertions of management in the financial statements.

Inadequate controls over the year-end financial reporting process, including controls over procedures used to enter transaction totals into the general ledger; initiate, authorize, record, and process journal entries into the general ledger; and record recurring and nonrecurring adjustments to the financial statements.

These reports are intended for the information of the management and others within the organization. This report is a matter of public record and its distribution is not limited.

May 7, 2011

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