

HOWELL TOWNSHIP FIRE DISTRICT #5

Financial Statements

For the Years Ended December 31, 2011 and 2010

BART & BART  
Certified Public Accountants

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BART & BART CERTIFIED PUBLIC ACCOUNTANTS

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, 2011 and 2010 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, 2011 and 2010, 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 10, 2012

104 MAIN STREET  
WOODBIDGE, NJ 07095  
(732) 634-5680

26 MAIN STREET  
KEYPORT, NJ 07735  
(732) 264-5936

FAX (732) 602-1059

HOWELL TOWNSHIP FIRE DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2011

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, 2011. 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 2011 as compared to 2010 are as follows:

Total fund balance decreased \$99,445 from 2010. 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:

Fiscal Year Ended	End of Fiscal Year	Utilization in Subsequent Budget
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
12/31/08	315,221	149,420
12/31/09	435,852	149,420
12/31/10	228,768	149,820
12/31/11	228,768	140,181

General fund revenues and other financial sources increased by \$23,165, primarily due to district taxes increasing. The following table shows the history of the past four years property tax levies per \$100 of assessed valuations on property within the District:

Fiscal Year	Assessed Valuations	Total Tax Levy	Property Tax Rates
12/31/08	836,183,000	597,000	.074
12/31/09	835,628,100	612,880	.074
12/31/10	840,412,700	592,880	.074
12/31/11	841,510,100	616,145	.076

Financial Highlights (Continued)

Total cash in the general fund decreased by \$112,466 and total liabilities and reserves decreased by \$8,275.

The District had \$593,654 in expenses, a decrease of \$19,310, or 3 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 #5  
Township of Howell  
General Fund  
Comparative Balance Sheet

	December 31,	
<u>ASSETS</u>	2011	2010
Cash and Investments	\$ 172,945	\$ 285,411
Loan Receivable - Freewood Acres Fire Co. #1	35,000	35,000
Prepaid Expenses	51,591	46,845
Total Assets	\$ 259,536	\$ 367,256
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts Payable	\$ 30,768	\$ 39,043
Total Liabilities	30,768	39,043
Fund Balances:		
Total Fund Balance	228,768	328,213
Total Liabilities and Fund Balance	\$ 259,536	\$ 367,256

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, 2011

With Comparative Actual Amounts for Period Ended December 31, 2010

	2011		Variance Favorable (Unfavorable)	2010
	Budget	Actual		Actual
<u>Revenues:</u>				
<u>Miscellaneous Revenues:</u>				
Interest on Investments & Deposits	\$ 8,000	\$ 11	\$ (7,989)	\$ 561
Supplemental Fire Services Grant	3,570	-	(3,570)	-
Total Miscellaneous Revenues	11,570	11	(11,559)	561
<u>Other Financing Sources:</u>				
Fund Balance Appropriated - General	149,870	149,870	-	149,420
Total Other Financing Sources	161,440	149,881	(11,559)	149,981
<u>District Taxes:</u>				
Current Operating and Maintenance	416,145	416,145	-	412,880
Capital Outlay	200,000	200,000	-	180,000
Total District Taxes	616,145	616,145	-	592,880
Total Revenues	777,585	766,026	(11,559)	742,861
<u>Expenditures:</u>				
<u>Current Operating Expenditures:</u>				
Administration	33,800	18,813	14,987	31,074
Commissioners' Expense	50,000	47,000	3,000	49,802
Settlements and Benefits	70,000	48,757	21,243	44,132
Contractual	64,000	66,373	(2,373)	60,855
Volunteer Fire Company	336,215	283,054	53,161	264,379
Supplemental Fire Services Grant	3,570	-	3,570	-
Contingent	20,000	-	20,000	-
Total Current Operating Expenses	577,585	463,997	113,588	450,242
<u>Capital Appropriations:</u>				
Partially Funded	200,000	129,657	70,343	162,722
Total Expenditures	777,585	593,654	183,931	612,964
Excess of Revenue over Expenditures	-	172,372	172,372	129,897
Fund Balances Unreserved - Beginning	328,213	328,213	-	435,902
Appropriation of Surplus	(149,870)	(149,870)	-	(149,420)
Transfer to General Fund Assets Group	-	(121,947)	(121,947)	(88,166)
Fund Balances Unreserved - Ending	<u>\$ 178,343</u>	<u>\$ 228,768</u>	<u>\$ 50,425</u>	<u>\$ 328,213</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, 2011  
With Comparative Actual Amounts for Period Ended December 31, 2010

	2011		Variance Favorable (Unfavorable)	2010
	Budget	Actual		Actual
<u>Current Operating Expenditures:</u>				
Administration:				
Office Supplies and Postage	\$ 1,500	\$ 2,364	\$ (864)	\$ 6,348
Professional Fees	30,000	14,269	15,731	19,154
Elections	800	700	100	815
Advertising	1,000	1,180	(180)	495
Memberships and Dues	500	300	200	371
License & Fees	-	-	-	3,891
Total Administration	<u>33,800</u>	<u>18,813</u>	<u>14,987</u>	<u>31,074</u>
Commissioners' Expense:				
Commissioners' Compensation	50,000	47,000	3,000	49,802
Settlements and Benefits:				
LOSAP	70,000	48,757	21,243	44,132
Total Salaries and Benefits	<u>70,000</u>	<u>48,757</u>	<u>21,243</u>	<u>44,132</u>
Contractual:				
Fire Hydrant Service	64,000	66,373	(2,373)	60,855
Volunteer Fire Company:				
Insurance	70,000	41,673	28,327	56,560
Training	20,000	6,141	13,859	8,917
Operating Materials & Supplies	2,500	8,390	(5,890)	13,754
Fuel	33,715	24,043	9,672	19,733
Other Rentals	65,000	65,000	-	65,000
Purchase of Nonbondable Assets	75,000	32,876	42,124	26,899
Utilities and Related Expense	20,000	22,619	(2,619)	23,989
Maintenance and Repairs	20,000	66,164	(46,164)	38,177
Uniforms and Personal Equipment	30,000	16,148	13,852	11,350
Travel	-	-	-	-
Total Volunteer Fire Company	<u>336,215</u>	<u>283,054</u>	<u>53,161</u>	<u>264,379</u>
Contingent	20,000	-	20,000	-
Supplemental Fire Services Grant:				
State Share	3,570	-	3,570	-
Total Current Operating Expenditures	<u>\$ 577,585</u>	<u>\$ 463,997</u>	<u>\$ 113,588</u>	<u>\$ 450,242</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, 2011

With Comparative Actual Amounts for Period Ended December 31, 2010

	2011		Variance	2010
	Budget	Actual	Favorable (Unfavorable)	Actual
<u>Capital Appropriations:</u>				
Partially Funded Future Capital Outlay	\$ 200,000	\$ 129,657	\$ 70,343	\$ 162,722
Total Capital Appropriations	<u>200,000</u>	<u>129,657</u>	<u>70,343</u>	<u>162,722</u>
Total Expenditures	<u>\$ 200,000</u>	<u>\$ 129,657</u>	<u>\$ 70,343</u>	<u>\$ 162,722</u>

See notes to financial statements.

The Board of Commissioners of Fire District #5Township of HowellGeneral Fixed Assets Account GroupComparative Balance SheetDecember 31, 2011 and 2010

	<u>ASSETS</u>	
	<u>2011</u>	<u>2010</u>
Building and Improvements	\$ 512,395	\$ 512,395
Fire Equipment	1,265,893	1,265,893
Fire Apparatus	2,911,259	2,911,259
Computer Systems and Equipment	38,380	38,380
Deposit - New Truck	-	-
	<u>\$ 4,727,927</u>	<u>\$ 4,727,927</u>
Total Assets		
Less Accumulated Depreciation:		
Building and Improvements	355,250	343,792
Equipment	709,356	570,457
	<u>1,064,606</u>	<u>914,249</u>
Total Accumulated Depreciation		
Total Net Assets	<u>\$ 3,663,231</u>	<u>\$ 3,813,678</u>
	<u>FUND BALANCE</u>	
Investment in General Fixed Assets	<u>\$ 3,663,321</u>	<u>\$ 3,813,678</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Revenues and Other Financing Sources:</u>		
Purchase of Equipment - Net	\$ -	\$ 723,377
Total Revenue and Other Financing Sources	<u>-</u>	<u>723,377</u>
<u>Charges:</u>		
Depreciation	<u>150,447</u>	<u>150,447</u>
Total charges	<u>150,447</u>	<u>150,447</u>
Excess of Revenue Over Expenditures	(150,447)	572,930
Fund Balance, Beginning of Year	<u>3,813,768</u>	<u>3,240,748</u>
Fund Balance, End of Year	<u>\$3,663,321</u>	<u>\$3,813,768</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, 2011

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, 2011

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, 2011 and 2010 was \$150,447 and \$150,447 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, 2011

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 2011 or 2010. 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 2011 and 2010.

Note 4. LEASE PAYABLE

On August 11, 2011, 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, 2010 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, 2011

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.

**BART & BART CERTIFIED PUBLIC ACCOUNTANTS**

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  
Howell Township, NJ 07105

We have audited the financial statements of Howell Township Fire District #5 Howell Township, New Jersey, for the year ended December 31, 2011, and have issued our report thereon dated May 10, 2012. 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.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected or corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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, and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

104 MAIN STREET  
WOODBRIDGE, NJ 07095  
(732) 634-5680

26 MAIN STREET  
KEYPORT, NJ 07735  
(732) 264-5936

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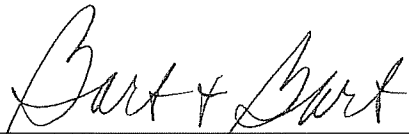
FAX (732) 602-1059



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

Pg. 2

This report is intended solely for the information and use of the members of the District and its management and for filing with the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not intended to be and should not be used by anyone other than these specified parties.

  
Bart & Bart, CPA's

May 10, 2012

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Howell Township Fire District #5

General Comments and Recommendations

None