

FIRE DISTRICT NO. 2

TOWNSHIP OF MONTGOMERY, NEW JERSEY

REPORT OF AUDIT

DECEMBER 31, 2012

**TOWNSHIP OF MONTGOMERY
FIRE DISTRICT NO. 2
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TOWNSHIP OF MONTGOMERY

FIRE DISTRICT NO. 2

2013 OFFICIALS IN OFFICE AND SURETY BONDS

<u>NAME</u>	<u>POSITION</u>
LEIGHTON LAUGHLIN, JR.	CHAIRMAN
CLAUDE LEWIS	VICE CHAIRMAN
CHARLES KABIS	TREASURER
DEVIN DAVIS	SECRETARY
STEPHEN WEINGART	COMMISSIONER

A SURETY BOND FOR \$1,700,000 COVERS ALL THE COMMISSIONERS.

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Township of Montgomery
Fire District #2
Blawenburg, NJ 08504

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Township of Montgomery Fire District #2, in the County of Somerset, State of New Jersey, as of and for the year ended December 31, 2012, which collectively comprise the Fire District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Montgomery Fire District #2's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 9, the Fire District has implemented a new financial reporting model, as required by the provisions of GASB Statement #34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of December 31, 2012.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Township of Montgomery Fire District #2, in the County of Somerset, State of New Jersey as of December 31, 2012, and the respective changes in financial position


thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 14, 2013 on our consideration of the Township of Montgomery Fire District #2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Montgomery Fire District #2's basic financial statements. The related major fund supporting statements and schedules listed in the table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements. These statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Respectfully submitted,


BONAMICI, COLLETTI, SOLITARIO & TIERNEY
CERTIFIED PUBLIC ACCOUNTANTS

AUGUST 14, 2013
SPOTSWOOD, N.J.



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

Board of Fire Commissioners
Township of Montgomery
Fire District No. 2
Blawenburg, N.J. 08504

We have audited the financial statements of the governmental activities and each major fund of the Township of Montgomery Fire District #2, in the County of Somerset, State of New Jersey, as of and for the year ended December 31, 2012 and have issued our report thereon dated August 14, 2013, which indicated that the Fire District implemented a new reporting model, as promulgated by GASB Statement #34, as of and for the year ended December 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of Montgomery Fire District #2's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the

internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Montgomery Fire District #2's financial statements are free of material misstatement; we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards, and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, State of New Jersey.

This report is intended solely for the information and use of the management of the Fire District and the Bureau of Authority Regulation and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted

A handwritten signature in black ink, appearing to read 'BCST, CMT' followed by a checkmark-like flourish.

BONAMICI, COLLETTI, SOLITARIO & TIERNEY
CERTIFIED PUBLIC ACCOUNTANTS

AUGUST 14, 2013
SPOTSWOOD, N.J.

REQUIRED SUPPLEMENTARY INFORMATION
PART 1

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

TOWNSHIP OF MONTGOMERY FIRE DISTRICT NO. 2
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

As management of the Township of Montgomery Fire District No. 2, we offer readers of the Township of Montgomery Fire District No. 2 financial statements this narrative overview and analysis of the financial activities of the Township of Montgomery Fire District No. 2 for the year ended December 31, 2012. The intent of this discussion and analysis is to look at the Township of Montgomery Fire District No. 2 financial performance as a whole. Readers should also review the information furnished in the notes to the basic financial statements along with the financial statements to enhance their understanding of the Township of Montgomery Fire District No. 2's financial performance.

Financial Highlights

- The assets of Township of Montgomery Fire District No. 2 exceeded its liabilities at the close of the most recent year by \$1,689,664 (net Assets).
- As of the close of the current year, the Township of Montgomery Fire District No. 2's governmental funds reported combined ending fund balances of \$1,172,611 a decrease of \$493,146 in comparison with the prior year.
- At the end of the current year, the committed fund balance for the capital fund was \$708,637 approximately a 40.5 percent decrease from the prior year.
- At the end of the current year, the unassigned fund balance for the general fund was \$463,974 approximately a 1.6 percent decrease from the prior year.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township of Montgomery Fire District No. 2's basic financial statements. The Township of Montgomery Fire District No. 2's basic financial statements are comprised of three components: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

District-Wide Financial Statements. The district-wide financial statements are designed to provide readers with a broad overview of the Township of Montgomery Fire District No. 2's finances, in a manner similar to a private sector business.

The Statement of Net Assets presents information on all of the Township of Montgomery Fire District No. 2's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township of Montgomery Fire District No. 2 is improving or deteriorating.

The Statement of Activities presents information showing how the Township of Montgomery Fire District No. 2's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., accounts payable).

Both of the district-wide financial statements distinguish functions of the Township of Montgomery Fire District No. 2 that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Township of Montgomery Fire District No. 2 include fire-fighting services and emergency services that are provided to the citizens of the Township of Montgomery Fire District No. 2.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township of Montgomery Fire District No. 2 like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township of Montgomery Fire District No. 2 constitute one fund type, governmental funds.

Governmental Funds. All of the Township of Montgomery Fire District No. 2's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township of Montgomery Fire District No. 2's general government operations and the basic services it provides. Government fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance fire-fighting services.

The Township of Montgomery Fire District No. 2 maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, special revenue fund, capital projects fund, and the debt service fund.

The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Also, the Township of Montgomery Fire District No. 2 adopts an annual budget in accordance with N.J.S.A. 40A:14:78-3. Budgetary comparison schedules have been provided to demonstrate compliance with the budget.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to financial statements are an integral part of the financial statements.

District-Wide Financial Analysis

As noted earlier, the net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township of Montgomery Fire District No. 2 assets exceeded liabilities by \$1,689,664 at the close of the most recent year.

A portion of the Township of Montgomery Fire District No. 2's net assets (29 percent) reflects its investment in capital assets (i.e. vehicles and equipment). The Montgomery Township Fire District No. 2 uses these assets to provide fire-fighting services to the citizens of the Montgomery Township Fire District No. 2 consequently these assets are not available for future spending.

Statement of Net Assets

TOWNSHIP OF MONTGOMERY FIRE DISTRICT NO. 2
NET ASSETS
DECEMBER 31, 2012

CURRENT AND OTHER ASSETS	\$	1,730,556
CAPITAL ASSETS		<u>492,607</u>
TOTAL ASSETS	\$	<u>2,223,163</u>
OTHER LIABILITIES	\$	<u>533,499</u>
TOTAL LIABILITIES	\$	<u>533,499</u>
NET ASSETS	\$	<u>1,689,664</u>

ANALYSIS OF NET ASSETS

INVESTED IN CAPITAL ASSETS NET OF RELATED DEBT	\$ 492,607
RESTRICTED FOR FUTURE EXPENDITURES	708,637
UNRESTRICTED	<u>488,420</u>
TOTAL NET ASSETS	\$ <u>1,689,664</u>

An additional portion of the Township of Montgomery Fire District No. 2's net assets (42 percent) represents resources that are subject to external restrictions on how they may be used.

Governmental Activities. The Statement of Activities shows the cost of the governmental activities program services and the charges for service and grants offsetting those services. Key elements of the increase in governmental activities are as follows:

EXPENSES

Operating Expenses:	
Administration	\$ 33,608
Cost of Operations and Maintenance	675,010
LOSAP Contribution	50,000
Capital Appropriations	<u>720,000</u>
Total Program Expenses	\$ 1,478,618
Program Revenues:	
Operating Grants & Contributions	\$ <u>1,780</u>
Total Program Revenues	\$ <u>1,780</u>
Net Program Expenses	\$ 1,476,838

GENERAL REVENUES

Taxes:	
Property Taxes, Levied for General Purposes	\$ 769,300
Taxes Levied for Debt Service	0
Unrestricted Investment Earnings	4,682
Miscellaneous Income	<u>14,873</u>
Total General Revenues	\$ <u>788,855</u>

Decrease in Net Assets	\$ (687,983)
Net Assets, January 1	2,373,930
Prior Period Adjustments	<u>3,717</u>
Net Assets, December 31	\$ <u>1,689,664</u>

Property taxes constituted 98% of revenues for government activities for the Fire District for the year 2012.

Cost of Operations and Maintenance comprises 46% of fire district expenses.

Financial Analysis of the Government Funds. As stated earlier, the Township of Montgomery Fire District No. 2 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund. The focus of the Township of Montgomery Fire District No. 2's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Township of Montgomery Fire District No. 2's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year and as a useful measure of permitting a governmental unit to maintain cash flow in anticipation of tax collections.

As of the end of the current year, the Township of Montgomery Fire District No. 2's governmental funds reported combined ending fund balances of \$1,172,611. This was a decrease of \$493,146 in comparison with the prior year.

Of the combined ending fund balances of \$1,172,611, the unassigned fund balance constituted \$463,974. Of the unassigned fund balance, \$62,500 has been utilized in the 2013 budget. The remainder of fund balance, in the amount of \$708,637, is committed to indicate that it is not available for new spending because it is committed to planned future outlays that are subject to the approval of the voters of the Montgomery Township Fire District No. 2.

The general fund is the main operating fund of the Township of Montgomery Fire District No. 2. At the end of the current year, the unassigned fund balance of the general fund was \$463,974. The general fund balance decreased by \$7,491 during the year.

The capital projects fund is the committed fund of the Township of Montgomery Fire District No. 2. At the end of the current year the committed fund balance of the capital projects fund was \$708,637. The capital fund balance decreased by \$485,655 during the year. This change was mainly due to the net of the Utilization of Committed Funds on the current year's Budget in the amount of \$720,000 and the Capital Appropriation of Funds Reserved for Future Capital Outlays of \$230,000.

General Fund Budgetary Highlights

During the course of the 2012-year the Township of Montgomery Fire District No. 2 modified its general fund budget in conformance with statute.

The final budgetary basis revenue estimate was \$1,575,079. The original budgetary estimate was the same.

During the year 2012, the Township of Montgomery Fire District No. 2 budgeted \$769,300 for property taxes (local tax levy) and \$1,779 for state aid revenues (supplemental fire services grant).

The final budgetary basis expenditures appropriation estimate was \$1,575,079. The original budgetary estimate was the same.

Capital Assets and Debt Administration

The Township of Montgomery Fire District No. 2's investment in capital assets for its governmental activities as of December 31, 2012 amounts to \$492,607 (net of accumulated depreciation). This investment in capital assets includes vehicles and firefighting equipment. The Township of Montgomery Fire District No. 2 purchased firefighting equipment in the amount of \$13,554.

At the end of 2012 the Township Montgomery Fire District No. 2 had \$3,580,012 invested in vehicles and firefighting equipment. The accumulated depreciation on these items was \$3,087,405.

TOWNSHIP OF MONTGOMERY FIRE DISTRICT NO. 2 CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION) DECEMBER 31, 2012

VEHICLES	\$	466,541
FIREFIGHTING EQUIPMENT		<u>26,066</u>
TOTAL CAPITAL ASSETS	\$	<u>492,607</u>

Additional information on the Township of Montgomery Fire District No. 2's capital assets can be found in Note 4 in the notes to financial statements.

Long-Term Obligations

For the 2012 year, the Township of Montgomery Fire District No. 2 had no bonded debt.

Economic Factors and Next Years Budget

For the 2012 year the Township of Montgomery Fire District No. 2 was able to sustain its budget through the district tax levy and other sources of revenue. Approximately 98% of total revenue is from the local tax levy, while the remaining amount is from other sources.

The Board of Fire Commissioners adopted the 2013 budget January 3, 2013 and the voters subsequently approved the budget at the annual fire district election held on February 16, 2013.

Requests for Information

This financial report is designed to provide a general overview of the Township of Montgomery Fire District No. 2's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Charles Kabis, Treasurer
Township of Montgomery
Fire District No. 2
P.O. Box 264
Blawenburg, NJ 08504

TOWNSHIP OF MONTGOMERY FIRE DISTRICT NO. 2

STATEMENT OF NET ASSETS

DECEMBER 31, 2012

ASSETS:

Cash and Cash Equivalents	\$997,473
Prepaid Expenses	24,446
Restricted Assets:	
Restricted Cash and Cash Equivalents	708,637
Capital Assets, net (Note 4)	<u>492,607</u>
Total Assets	\$2,223,163

LIABILITIES:

Accounts Payable	<u>\$533,499</u>
Total Liabilities	<u>\$533,499</u>

NET ASSETS:

Invested in Capital assets, Net of Related debt.	\$492,607
Restricted for:	
Capital Projects	708,637
General	0
Unrestricted:	
General	488,420
Capital	<u>0</u>
Total Net Assets	<u>\$1,689,664</u>

See accompanying Accountant's Report and Notes

TOWNSHIP OF MONTGOMERY FIRE DISTRICT NO. 2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Expenses:

Operating Appropriations:

Administration	\$33,608
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Cost of Operations and Maintenance	675,010
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Length of Service Award Program (LOSAP)-

Contribution (P.L. 1997, c. 388)	50,000
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Capital Appropriations:

Fire Apparatus	<u>720,000</u>
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Total Program Expenses	\$1,478,618
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Program Revenues:

Charges for Services	\$0
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Operating Grants and Contributions	<u>1,780</u>
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Net Program Expenses	\$1,476,838
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General Revenues:

Taxes:

Property Taxes, Levied for General Purposes	\$769,300
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Taxes Levied for Debt Service	0
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Unrestricted Investment Earnings	4,682
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Miscellaneous Income	<u>14,873</u>
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Total General Revenues	<u>\$788,855</u>
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Decrease in Net Assets	(\$687,983)
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Net Assets, January 1 (Note 9)	2,373,930
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Prior Period Adjustments	<u>3,717</u>
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Net Assets, December 31	<u>\$1,689,664</u>
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See accompanying Accountant's Report and Notes

FUND FINANCIAL STATEMENTS

TOWNSHIP OF MONTGOMERY FIRE DISTRICT NO. 2

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General <u>Fund</u>	Special Revenue <u>Fund</u>	Capital Projects <u>Fund</u>	Debt Service <u>Fund</u>	Total Governmental <u>Funds</u>
<u>ASSETS:</u>					
Cash	<u>\$605,452</u>		<u>\$1,100,658</u>		<u>\$1,706,110</u>
Total Assets	<u>\$605,452</u>	<u>---</u>	<u>\$1,100,658</u>	<u>---</u>	<u>\$1,706,110</u>
<u>LIABILITIES AND FUND BALANCES:</u>					
<u>LIABILITIES:</u>					
Accounts Payable	\$141,478				\$141,478
Accounts Payable: Capital Outlay	<u>---</u>		<u>\$392,021</u>		<u>392,021</u>
Total Liabilities	\$141,478	<u>---</u>	\$392,021	<u>---</u>	\$533,499
<u>FUND BALANCES:</u>					
Committed:					
Capital			\$708,637		\$708,637
Unassigned:					
General	<u>\$463,974</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>463,974</u>
Total Fund Balances	<u>\$463,974</u>	<u>---</u>	<u>\$708,637</u>	<u>---</u>	<u>\$1,172,611</u>
Total Liabilities and Fund Balances	<u>\$605,452</u>	<u>---</u>	<u>\$1,100,658</u>	<u>---</u>	

See accompanying Accountant's Report and Notes

**TOWNSHIP OF MONTGOMERY FIRE DISTRICT #2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

TOTAL
GOVERNMENTAL
FUNDS

Amounts reported for governmental activities in the statement of net assets (A-1) are different because:

Payments made to vendors for services that will benefit periods beyond fiscal year end that are recorded as expenditures at the time of payment in the governmental funds.

24,446

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$3,580,012 and the accumulated depreciation is \$3,087,405.

492,607

Net assets of governmental activities

\$1,689,664

See accompanying Accountant's Report and Notes

TOWNSHIP OF MONTGOMERY FIRE DISTRICT NO. 2

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>REVENUES:</u>					
Interest	\$337		\$4,345		\$4,682
Operating Grant Revenues	1,780				1,780
Fund Balance Appropriated	80,000				80,000
Committed Funds Utilized			720,000		720,000
Amount to be Raised by Taxation to Support the District Budget	<u>769,300</u>	---	<u>0</u>	---	<u>769,300</u>
Total Revenues	\$851,417	---	\$724,345	---	\$1,575,762
<u>EXPENDITURES:</u>					
<u>Operating Appropriations:</u>					
Operating & Administration	\$33,608				\$33,608
Operations & Maintenance	533,890				533,890
Capital Appropriations	<u>230,000</u>		<u>\$720,000</u>		<u>950,000</u>
Total Expenditures	<u>\$797,498</u>	---	<u>\$720,000</u>	---	<u>\$1,517,498</u>
Excess of Rev. Over Expenditures	\$53,919	---	\$4,345	---	\$58,264
Other Financing Sources (Uses):					
Misc. Revenue Not Anticipated	\$14,873				\$14,873
Reserve for Future Capital Outlay	<u>0</u>	---	<u>\$230,000</u>	---	<u>230,000</u>
Other Financing Sources (Uses)	<u>\$14,873</u>	---	<u>\$230,000</u>	---	<u>\$244,873</u>
Excess of Rev\Other Financing Sources Over Expenditures\Other Financing Uses	\$68,792	---	\$234,345	---	\$303,137
Fund Balances, January 1, 2012	471,465		1,194,292		1,665,757
Utilization of Fund Balance	(80,000)				(80,000)
Utilization of Committed Funds			(720,000)		(720,000)
Prior Period Adjustments	<u>3,717</u>		<u>0</u>		<u>3,717</u>
Fund Balances, December 31, 2012	<u>\$463,974</u>	---	<u>\$708,637</u>	---	<u>\$1,172,611</u>

See Accompanying Accountant's Report and Notes

TOWNSHIP OF MONTGOMERY FIRE DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Total Net Change in Fund Balances - Governmental Funds	\$ 303,137
Amounts reported for governmental activities in the statement of activities (A-2) are different because:	
Utilization of Unassigned Funds	(80,000)
Utilization of Committed Funds	(720,000)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their estimated useful lives as depreciation expense. This is the adjustment for capital outlay and depreciation for the period.	
Capital Outlay	13,554
Depreciation Expense	(208,613)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.	-0-
In the statement of activities, certain operating expenses, e.g., prepaid Insurance are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).	<u>3,939</u>
Change in Net Assets of Governmental Activities	<u><u>\$(687,983)</u></u>

See accompanying Accountant's Report and Notes

NOTES TO THE FINANCIAL STATEMENTS

TOWNSHIP OF MONTGOMERY FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity - Fire District No. 2 of the Township of Montgomery is a political subdivision of the Township of Montgomery, Somerset County, New Jersey. It was formed through the adoption of a Township ordinance. A board of five commissioners oversees all operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of every February.

Fire Districts are governed by N.J.S.A. 40A: 14-70 et al. and are organized as a taxing authority charged with the responsibility of providing the resources necessary to provide fire fighting services to the residents within its territorial location. Fire District No. 2 of the Township of Montgomery has one fire company within its jurisdiction, the Montgomery Township Volunteer Fire Company.

Component Units - GASB Statement No. 14, The Financial Reporting Entity, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units. As of December 31, 2012, it has been determined by the Fire District that no component units exist.

Basis of Presentation - The financial statements of the Township of Montgomery Fire District No. 2 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Fire District's accounting policies are described in this Note.

The Fire District's basic financial statements consist of district-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

District-wide Financial Statements - The Statement of Net Assets and the Statement of Activities display information about the Fire District as a whole. These statements include the financial activities of the government. The Statement of Net Assets presents the financial condition of the governmental activities of the Fire District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Fire District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. The policy of the Fire District is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Fire District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Fire District.

Fund Financial Statements - During the year, the Fire District segregates transactions related to certain Fire District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Fire District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a single column. The Fire District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. For fire districts, only one category of funds exists, that being governmental.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Fire District's major governmental funds:

General Fund - The General Fund is the general operating fund of the Fire District and is used to account for the inflows and outflows of its financial resources. The acquisition of certain capital assets, such as fire fighting apparatus and equipment, is accounted for in the General Fund when it is responsible for the financing of such expenditures.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Special Revenue Fund - The Special Revenue Fund may only be established around one or more revenue sources that are restricted or committed to purposes other than capital projects or debt service.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for but not limited to the acquisition or construction of major capital facilities such as fire houses and fire fighting apparatus. Generally, the financial resources of the Capital Projects Fund are derived from the issuance of debt or by the reservation of fund balance, which must be authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Measurement Focus

District-wide Financial Statements - The district-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Fire District are included on the Statement of Net Assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the district-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

Basis of Accounting - Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenues - Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Fire District, available means expected to be received within thirty days of year-end.

Non-exchange transactions, in which the Fire District receives value without directly giving equal value in return, include Ad Valorem (property) taxes, grants, entitlements and donations. Ad Valorem (Property) Taxes are susceptible to accrual, as under New Jersey State Statute, a municipality is required to remit to its Fire District the entire balance of taxes in the amount voted upon or certified, prior to the end of the fire district year. The Fire District records the entire approved tax levy as revenue (accrued) at the start of the year since the revenue is both measurable and available. The Fire District is entitled to receive moneys under the following established payment schedule: on or before April 1, an amount equaling 21.25% of all moneys assessed; on or before July 1, an amount equaling 22.5% of all moneys assessed; on or before October 1, an amount equaling 25% of all moneys assessed; and on or before December 31, an amount equaling the difference between the total of all moneys so assessed and the total amount of moneys previously paid over. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Fire District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Fire District on a reimbursement basis.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: grants, fees and rentals.

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

Budgets / Budgetary Control - The Fire District must adopt an annual budget in accordance with N.J.S.A. 40A:14-78.1 et al. The fire commissioners must introduce and approve the annual budget not later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Budgets / Budgetary Control (cont'd)

a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the Fire District. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the fire commissioners may, by majority vote, adopt the budget.

Amendments may be made to the Fire District budget in accordance with N.J.S.A. 40A:14-78.3. The budget may not be amended subsequent to its final adoption and approval.

Subsequent to the adoption of the Fire District budget, the amount of money to be raised by taxation in support of the Fire District budget must appear on the ballot for the annual election for approval of the legal voters.

Fire districts have a prescribed budgetary basis to demonstrate legal compliance. However, budgets are adopted on principally the same basis of accounting utilized for the preparation of the Fire District's basic fund financial statements.

Amounts reported under "final budget" on Exhibit C-1 and D-2 includes modifications to the adopted budgets that were made during the year as approved by the Board of Commissioners.

Exhibit C-2 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the General Fund Budgetary Comparison Schedule and the Special Revenue Fund Budgetary comparison Schedule to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds. Note that the Fire District does not report encumbrances outstanding at year end as expenditures in the general fund since the general fund budget follows modified accrual basis of accounting.

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

New Jersey governments are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey governments.

Additionally, the Fire District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash, Cash Equivalents and Investments (Cont'd)

provisions of the Governmental Unit Deposit Protection Act. The Act was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include State or federally chartered banks, savings banks or associations located in the State of New Jersey or state or federally chartered banks, savings banks or associations located in another state with a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

Inventories and Prepaid Expenses - Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in governmental fund types is recorded as expenditures when purchased rather than when consumed.

Inventories recorded on the district-wide financial statements are recorded as expenditures when consumed rather than when purchased. As of December 31, 2012, no inventories exist.

Prepaid expenses recorded in the governmental fund types, which benefit future periods, are recorded as an expenditure during the year of purchase. Prepaid expenses recorded on the district-wide financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2012.

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

Capital Assets - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide Statement of Net Assets but are not reported in the fund financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Capital Assets (Cont'd)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Fire District maintains a capitalization threshold of \$5,000.00. The Fire District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Vehicles	5-10 Years
Firefighting Equipment	5 Years

N.J.S.A. 40A:14-84 governs the procedures for the acquisition of property and equipment for Fire Districts, and N.J.S.A. 40A:14-85 to 87 governs procedures for the issuance of any debt related to such purchases. In summary, Fire Districts may purchase fire fighting apparatus and equipment and land and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or 2 percent of the assessed valuation of property, whichever is larger.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities, and long-term obligations are reported in the district-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from the governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available finance resources. Bonds are recognized as a liability on the fund financial statements when due.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Fire District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Fire District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reserves - The Fire District commits portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation for expenditures. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods. Committed fund balances are established for encumbrances, legally restricted appropriations, excess surplus and capital reserve account.

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

NOTE 2: CASH AND CASH EQUIVALENTS

All bank deposits as of December 31, 2012 are classified as to credit risk by the following three categories described below:

Category 1

Insured or collateralized with securities held by the Fire District or by its agent in the Fire District's name.

Category 2

Collateralized with securities held by the pledging public depository's trust department or agent in the Fire District's name.

Category 3

Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent but not in the Fire District's name.

As of December 31, 2012, the Fire District's deposits are summarized as follows:

<u>Category</u>	<u>Amount</u>
1	\$1,706,110
2	-0-
3	-0-
	<u>\$1,706,110</u>

NOTE 3: PROPERTY TAX LEVIES

Following is a tabulation of Fire District assessed valuations, tax levies and property tax rates per \$100.00 of assessed valuations for the current and preceding four years:

<u>Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2012	\$ 1,840,323,169	\$ 769,300	\$.042
2011	1,840,098,671	766,800	.042
2010	1,855,095,760	826,800	.045
2009	1,856,360,955	815,765	.044
2008	1,847,058,600	816,100	.044

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

	<u>Balance Jan. 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance Dec.31, 2012</u>
Vehicles	\$2,931,919		\$ -0-	\$ 2,931,919
Firefighting Equipment	<u>634,539</u>	<u>\$ 13,554</u>	<u>-0-</u>	<u>648,093</u>
Total Capital Assets being Depreciated	3,566,458	13,554	-0-	3,580,012
Less Accumulated Depreciation:				
Vehicles	2,267,245	198,133	-0-	2,465,378
Firefighting Equip.	<u>611,547</u>	<u>10,480</u>	<u>-0-</u>	<u>622,027</u>
Total Accumulated Depreciation	2,878,792	208,613	-0-	3,087,405
Total Capital Assets being Depreciated, net of Accumulated Depreciation	<u>687,666</u>	<u>(195,059)</u>	<u>-0-</u>	<u>492,607</u>
Capital Assets, net	<u>\$ 687,666</u>	<u>\$(195,059)</u>	<u>-0-</u>	<u>\$ 492,607</u>

* Depreciation expense was charged to governmental functions as follows:

Cost of Operations and Maintenance	\$ 208,613
Cost of Appropriations Offset with Revenues	<u>- 0 -</u>
Total Depreciation Expense	<u>\$ 208,613</u>

NOTE 5: LEASES

Lease Obligations – At December 31, 2012, the Fire District had a lease agreement in effect for the following:

Operating:

Buildings for the District Office and Housing of Fire Apparatus

Rental payments under the operating lease for the year ended December 31, 2012 were \$192,000.00.

NOTE 6: RISK MANAGEMENT

The Fire District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance - The Fire District maintains commercial insurance coverage for property, liability and surety bonds.

NOTE 7: INTERFUND RECEIVABLES AND PAYABLES

As of December 31, 2012, no inter-fund receivables or payables existed.

NOTE 8: FUND BALANCES

COMMITTED

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific reservations of the fund balance are summarized below:

For Future Capital Outlays - These funds are committed for capital expenditures to be made in future years. When the Fire District desires to utilize these funds in their annual budget, a capital resolution must be passed by the Board of Fire Commissioners prior to any expenditure against a capital appropriation. As of December 31, 2012, the fund balance is \$708,637.

UNASSIGNED

Of the \$463,974 unassigned fund balance at December 31, 2012, \$62,500 has been designated for subsequent year's expenditures.

NOTE 9: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE

For the year ended December 31, 2012, the Fire District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions", GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures" and GASB issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

NOTE 9: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE (CONT'D)

GASB Statement No. 34 creates new basic financial statements for reporting the Fire District's financial activities. The financial statements now include district-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type.

The beginning net asset amount for governmental activities reflects the following changes required by GASB Statement No. 34:

Fund Balances January 1, 2012	\$1,665,757
Prepaid Expenses	20,507
Capital Assets, net of Accumulated Depreciation	687,666
Long-term Liabilities	<u>- 0 -</u>
Governmental Activities Net Assets, January 1, 2012	<u>\$2,373,930</u>

NOTE 10: LENGTH OF SERVICE AWARD PROGRAMS

The Fire District's Length of Service Awards Program ("LOSAP") was created by a Fire District Resolution adopted pursuant to Section 457 (e)(11)(13) of the Internal Revenue Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Township of Montgomery Fire District No. 2 approved the adoption of the Plan at the annual election held on February 20, 1999 and the first year of eligibility for entrance into the Plan by qualified volunteers was calendar year 1999. The Plan provides tax deferred income benefits to active volunteer firefighters.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Fire District or its creditors.

As required by N.J.A.C. 5:30-14.48, the Fire District must have an annual review its LOSAP performed in accordance with Statements of Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

REQUIRED SUPPLEMENTARY INFORMATION
PART II

BUDGETARY COMPARISON SCHEDULES

TOWNSHIP OF MONTGOMERY FIRE DISTRICT NO. 2

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>ORIGINAL BUDGET</u>	<u>BUDGET CHANGES/ TRFRS</u>	<u>FINAL BUDGET</u>	<u>2012 ACTUAL</u>	<u>VARIANCE</u>
<u>REVENUES:</u>					
Miscellaneous Anticipated Revenues:					
Interest on Deposits	\$4,000		\$4,000	\$337	(\$3,663)
Fund Balance Appropriated	<u>80,000</u>		<u>80,000</u>	<u>80,000</u>	<u>0</u>
Total Miscellaneous Anticipated Revenues	\$84,000	\$0	\$84,000	\$80,337	(\$3,663)
Operating Grant Revenue					
Supplemental Fire Services Act	<u>1,779</u>		<u>1,779</u>	<u>1,780</u>	<u>1</u>
Total Revenues and Fund Balance Utilized	\$85,779	\$0	\$85,779	\$82,117	(\$3,662)
Amount to be Raised by Taxation to Support the District Budget	<u>769,300</u>		<u>769,300</u>	<u>769,300</u>	<u>0</u>
Total Anticipated Revenues	\$855,079	\$0	\$855,079	\$851,417	(\$3,662)

(Continued)

See accompanying Accountant's Report and Notes

TOWNSHIP OF MONTGOMERY FIRE DISTRICT NO. 2

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>ORIGINAL BUDGET</u>	<u>BUDGET CHANGES/ TRFRS</u>	<u>FINAL BUDGET</u>	<u>2012 ACTUAL</u>	<u>VARIANCE</u>
<u>EXPENDITURES:</u>					
Operating & Administration:					
Advertising	\$2,000		\$2,000	\$234	\$1,766
Office Expense	10,000		10,000	9,448	552
Election Expense	800		800	426	374
Professional Services	<u>27,000</u>	<u>0</u>	<u>27,000</u>	<u>23,500</u>	<u>3,500</u>
Total Administration	\$39,800	\$0	\$39,800	\$33,608	\$6,192
Cost of Operations and Maintenance:					
Other Expenses:					
Apparatus Housing	\$192,000		\$192,000	\$192,000	\$0
Insurance	58,000	16,000	74,000	73,543	457
Training/Education	51,350		51,350	49,039	2,311
Operating Costs	160,000	(\$10,000)	150,000	118,822	31,178
Supplies (Equip. Acqu.)	68,150	(16,000)	52,150	44,825	7,325
Supplemental Fire Service Grant	1,779		1,779	1,779	0
Contingency	<u>10,000</u>		<u>10,000</u>	<u>0</u>	<u>10,000</u>
Total Cost of Operations and Maintenance	<u>\$541,279</u>	<u>(\$10,000)</u>	<u>\$531,279</u>	<u>\$480,008</u>	<u>\$51,271</u>
EMS Equipment	4,000		4,000	3,882	118
Length of Service Award Program	<u>40,000</u>	<u>10,000</u>	<u>50,000</u>	<u>50,000</u>	<u>0</u>
Total Operating Appropriations	\$625,079	\$0	\$625,079	\$567,498	\$57,581

(Continued)

See accompanying Accountant's Report and Notes

TOWNSHIP OF MONTGOMERY FIRE DISTRICT NO. 2

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>BUDGET</u> <u>CHANGES/</u> <u>TRFRS</u>	<u>FINAL</u> <u>BUDGET</u>	<u>2012</u> <u>ACTUAL</u>	<u>VARIANCE</u>
Capital Appropriations:					
Res-Future Capital Outlay	<u>\$230,000</u>		<u>\$230,000</u>	<u>\$230,000</u>	<u>\$0</u>
Total Capital Appropriations	<u>\$230,000</u>	<u>\$0</u>	<u>\$230,000</u>	<u>\$230,000</u>	<u>\$0</u>
Total Expenditures	<u>\$855,079</u>	<u>\$0</u>	<u>\$855,079</u>	<u>\$797,498</u>	<u>\$57,581</u>
Excess of Revenue Over Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$53,919</u>	<u>\$53,919</u>
Other Financing Sources (Uses):					
Miscellaneous Revenue Not Anticipated	<u>\$0</u>		<u>\$0</u>	<u>\$14,873</u>	<u>\$14,873</u>
Other Financing Sources (Uses)	<u>\$0</u>		<u>\$0</u>	<u>\$14,873</u>	<u>\$14,873</u>
Excess of Revenues\Other Financing Sources Over Expenditures\Other Financing Uses	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$68,792</u>	<u>\$68,792</u>
Fund Balances, January 1, 2012				471,465	
Utilization of Fund Balance				(80,000)	
Prior Period Adjustments				<u>3,717</u>	
Fund Balances, December 31, 2012				<u>\$463,974</u>	

See accompanying Accountant's Report and Notes

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF MONTGOMERY FIRE DISTRICT NO. 2
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Year Ended December 31, 2012

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures.

	General Fund
Sources/Inflows of Resources:	
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 1,590,635
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized	<u>-0-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2)	<u>\$ 1,590,635</u>
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 1,517,498
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes	<u>-0-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2)	<u>\$ 1,517,498</u>

OTHER SUPPLEMENTARY INFORMATION

CAPITAL PROJECTS FUND

TOWNSHIP OF MONTGOMERY FIRE DISTRICT NO. 2**CAPITAL PROJECTS FUND****BALANCE SHEET****DECEMBER 31, 2012****ASSETS**

Cash	<u>\$1,100,658</u>
Total Assets	<u>\$1,100,658</u>

LIABILITIES AND FUND BALANCE**LIABILITIES**

Accounts Payable: Capital Outlay	<u>\$392,021</u>
Total Liabilities	\$392,021

FUND BALANCES

Committed Funds: Capital	<u>\$708,637</u>
Total Fund Balance	<u>\$708,637</u>
Total Liabilities and Fund Balance	<u>\$1,100,658</u>

See accompanying Accountant's Report and Notes

TOWNSHIP OF MONTGOMERY FIRE DISTRICT NO. 2

BUDGETARY COMPARISON SCHEDULE

CAPITAL PROJECTS FUND

FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>ORIGINAL BUDGET</u>	<u>BUDGET CHANGES/ TRFRS</u>	<u>FINAL BUDGET</u>	<u>2012 ACTUAL</u>	<u>VARIANCE</u>
REVENUES:					
Miscellaneous Anticipated Revenues:					
Interest on Deposits	\$0		\$0	\$4,345	\$4,345
Committed Funds Utilized	<u>\$720,000</u>		<u>\$720,000</u>	<u>\$720,000</u>	<u>\$0</u>
Total Revenues	\$720,000	\$0	\$720,000	\$724,345	\$4,345
EXPENDITURES:					
Capital Appropriations:					
Fire Apparatus	<u>\$720,000</u>		<u>\$720,000</u>	<u>\$720,000</u>	<u>\$0</u>
Total Capital Appropriationss	<u>\$720,000</u>	<u>\$0</u>	<u>\$720,000</u>	<u>\$720,000</u>	<u>\$0</u>
Excess of Revenues Over Expenditures	\$0	\$0	\$0	\$4,345	\$4,345
Other Financing Sources:					
Reserve for Future Capital Outlay	<u>\$0</u>		<u>\$0</u>	<u>\$230,000</u>	<u>\$230,000</u>
Other Financing Sources	<u>\$0</u>		<u>\$0</u>	<u>\$230,000</u>	<u>\$230,000</u>
Excess of Revenues Over Expenditures	<u>\$0</u>		<u>\$0</u>	\$234,345	<u>\$234,345</u>
Fund Balances, January 1, 2012				1,194,292	
Utilization of Committed Funds				<u>(720,000)</u>	
Fund Balances, December 31, 2012				<u>\$708,637</u>	

See accompanying Accountant's Report and Notes

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**TOWNSHIP OF MONTGOMERY
FIRE DISTRICT NO. 2**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Schedule of Financial Statement Findings

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

None.

**TOWNSHIP OF MONTGOMERY
FIRE DISTRICT NO. 2**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND
RECOMMENDATIONS AS PREPARED BY MANAGEMENT**

Financial Statement Findings

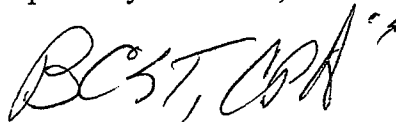
This section identifies the status of prior year findings related to the financial statements and Federal and State awards that are required to be reported in accordance with Government Auditing Standards, OMB Circular A-133 and the State of New Jersey Circular 97-08-OMB.

None.

APPRECIATION

We express our appreciation for the assistance and courtesies rendered by the Fire District officials during the course of the audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "BCST, CPA" with a stylized flourish at the end.

BONAMICI, COLLETTI, SOLITARIO & TIERNEY
CERTIFIED PUBLIC ACCOUNTANTS

AUGUST 14, 2013
SPOTSWOOD, N.J.