

**ABERDEEN TOWNSHIP  
FIRE DISTRICT NO. 2  
COUNTY OF MONMOUTH  
NEW JERSEY**

**REPORT OF AUDIT  
YEAR ENDED DECEMBER 31, 2012**

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**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**ROSTER OF OFFICIALS**  
**December 31, 2012**

**BOARD OF FIRE COMMISSIONERS**

James Marsh, President

Charles Caruso, Vice-President

James T. Connelly, Treasurer

Michael Bellamy, Secretary

Stanley Derechailo, Commissioner

**OTHER OFFICIALS**

Allen Falk, Esq., Attorney

## FINANCIAL SECTION

# FALLON & LARSEN LLP

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Certified Public Accountants  
Registered Municipal Accountants

1390 Route 36, Suite 102  
Hazlet, New Jersey 07730-1716  
Telephone: (732) 888-2070  
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## INDEPENDENT AUDITORS' REPORT

Board of Fire Commissioners  
Aberdeen Township Fire District No. 2  
P.O. Box 469  
Cliffwood, New Jersey 07730

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Board of Fire Commissioners of the Aberdeen Township Fire District No. 2, (the "District"), in the County of Monmouth, State of New Jersey, as of and for the year ended December 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The financial statements of the Length of Service Awards Program ("LOSAP") were not audited and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to audit the LOSAP Fund financial statements in accordance with auditing standards generally accepted in the United States, *Government Auditing Standards* and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair

presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Basis for Qualified Opinion**

The financial statements of the Length of Service Award Program Fund ("LOSAP") have not been audited and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to audit the LOSAP Fund financial statements. The LOSAP Fund financial activities are included in the District's Fiduciary Funds and represent 79.56%, 79.56% and 96.66% of the assets, net position, and revenues, respectively of the District's Fiduciary Funds.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly in all material respects, the financial position of the District's Fiduciary Funds as of December 31, 2012, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinion**

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and each major fund for the District as of December 31, 2012 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 11 and Exhibit C-1 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Information

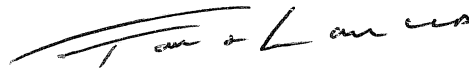
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Aberdeen Fire District No. 2's financial statements. The Summary Schedule of Project Expenditures and Restricted Net Position - Capital Projects Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements and is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The Summary Schedule of Project Expenditures and Restricted Net Position - Capital Projects Fund has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements of to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Thomas P. Fallon  
Certified Public Accountant  
Registered Municipal Accountant #465



Fallon & Larsen LLP

Hazlet, New Jersey  
November 25, 2013



REQUIRED SUPPLEMENTARY INFORMATION -- PART I

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012**

Our discussion and analysis of the Aberdeen Township Fire District No. 2's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2012. Please read this analysis in conjunction with the District's financial statements.

**Financial Highlights**

- The District's assets exceeded its liabilities by \$1,920,208.05 (net position) as of December 31, 2012. This compares to December 31, 2011 when net assets exceeded liabilities by \$1,912,348.95.
- In total, net position increased \$7,859.10 or .41%.
- The District had \$561,120.13 in expenses. \$3,328.50 of this was offset by charges for services and grants. General revenues (primarily taxes) were adequate to provide for these programs.
- \$150,000.00 was levied in taxes to finance the District's capital program. Net Position Restricted for Capital Projects increased \$150,000.00 or 25.05%.
- Total net position is comprised of the following:
  - (1) Capital assets, net, of \$956,136.33 includes property and equipment, net of accumulated depreciation.
  - (2) Restricted net position of \$772,072.53 are restricted by constraints imposed from outside the District such as debt covenants, grantors, laws, or regulations.
  - (3) Unrestricted net position of \$191,999.19 represents the portion available to maintain the District's continuing obligations to citizens and creditors.

**Overview of the Financial Statements**

The financial statements consist of the following parts: Management's Discussion and Analysis; the Basic Financial Statements consisting of government-wide financial statements, and fund financial statements (government and fiduciary); Notes to the Financial Statements; and Required Supplementary Information.

The basic government-wide and fund financial statements present the financial results on different methods of accounting. Included in the financial statements are reconciliations that explain the difference between the two methods.

Government-wide financial statements are prepared on the accrual basis of accounting and economic resources focus. The required financial statements are: Statement of Net Position (Exhibit A-1) and Statement of Activities (Statement A-2). The Statement of Net Position reports all assets and liabilities, both financial and capital, and short-term and long-term of the District. The Statement of Activities reports all revenue and expenses during the year, regardless of when cash is received or paid.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012**

**Overview of the Financial Statements (continued)**

Governmental funds financial statements are prepared on the modified accrual basis of accounting and current financial resources focus. This is the traditional form for our financial statements. The required financial statements are: Balance Sheet (Exhibit B-1) and Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit B-2). The Balance Sheet shows only assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during or soon after the end of the year.

Exhibit B-1 - Reconciliation of the Governmental Fund Balance Sheet to the Government-wide Statement of Net Position (Exhibit A-1), explains the differences between the two exhibits. Exhibit B-3 - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities, traces the change in fund balances to the change in net position reported in Exhibit A-2.

The government-wide and governmental funds financial statements show the results of the following funds:

General Fund - This Fund is used to finance the operations of the District. All tax revenues are placed in the General Fund and regular operating expenses are charged here. Funds to be used for capital equipment and projects are transferred from the General Fund to the Capital Projects Fund.

Capital Projects Fund - This Fund is used to separate funds for capital equipment and projects. All capital expenditures are taken from this Fund. Funds in this account come from revenue transferred from the General Fund to be used for capital improvements.

**Notes to the Financial Statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information. This supplementary information follows the notes to the financial statements.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012**

**Financial Analysis of the District**

One of the most important questions asked about the District's finances is "Is the District as a whole better able to fulfill its mission as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the District's activities in a way that will help answer this question. These two statements report net position of the District and the changes in those positions. The reader can think of the District's net position - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider the non-financial factors such as changes in economic conditions, population growth, development, and new or changed government regulation.

**Net Position**

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District as a whole.

The District's net position at fiscal year-end is \$1,920,208.05. This is a \$7,859.10 increase over last year's net position of \$1,912,348.95. A summary of the District's statement of net position is presented in the following table:

**Condensed Statement of Net Position**

	<u>FY 2012</u>	<u>FY 2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and Non-current assets	\$ 1,013,140.05	\$ 913,348.32	\$ 99,791.73	10.93%
Capital assets, net of accumulated depreciation	<u>956,136.33</u>	<u>1,050,388.49</u>	<u>(94,252.16)</u>	(8.97)%
Total assets	<u>1,969,276.38</u>	<u>1,963,736.81</u>	<u>5,539.57</u>	.28%
Other liabilities	<u>49,068.33</u>	<u>51,387.86</u>	<u>(2,319.53)</u>	(4.51)%
Total liabilities	<u>49,068.33</u>	<u>51,387.86</u>	<u>(2,319.53)</u>	(4.51)%
Invested in capital assets, net of related debt	956,136.33	1,050,388.49	(94,252.16)	(8.97)%
Restricted	772,072.53	619,572.53	152,500.00	24.61%
Unrestricted	<u>191,999.19</u>	<u>242,387.93</u>	<u>(50,388.74)</u>	(20.79)%
Total net position	<u>\$ 1,920,208.05</u>	<u>\$ 1,912,348.95</u>	<u>\$ 7,859.10</u>	.41%

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012**

While the Statement of Net Position shows the change in financial position, the Statement of Activities provides answers as to the nature and source of these changes. As can be seen in the following table, net position increased by \$ 7,859.10.

**Governmental Activities**

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

<u>Expenses</u>	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
Administration	\$ 121,165.02	\$ 112,217.40	\$ 8,947.62
Cost of providing services	393,155.28	377,170.44	15,984.84
Operating appropriations offset with Revenues	28,799.83	29,018.03	(218.20)
Length of Service Awards Program	<u>18,000.00</u>	<u>7,000.00</u>	<u>11,000.00</u>
Total program expenses	<u>561,120.13</u>	<u>525,405.87</u>	<u>35,714.26</u>
<u>Program Revenues</u>			
Operating grants and contributions	<u>3,328.50</u>	<u>3,328.50</u>	<u>-</u>
Net program expenses	<u>557,791.63</u>	<u>522,077.37</u>	<u>35,714.26</u>
<u>General Revenues</u>			
Property taxes	520,000.00	506,000.00	14,000.00
Miscellaneous income	<u>45,650.73</u>	<u>42,142.48</u>	<u>3,508.25</u>
Total general revenues	<u>565,650.73</u>	<u>548,142.48</u>	<u>17,508.25</u>
Increase in net position	7,859.10	26,065.11	(18,206.01)
Net position, January 1	<u>1,912,348.95</u>	<u>1,886,283.84</u>	<u>26,065.11</u>
Net position, December 31	<u>\$ 1,920,208.05</u>	<u>\$ 1,912,348.95</u>	<u>\$ 7,859.10</u>

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012**

**Governmental Activities (continued)**

Property taxes constituted 91.39% of revenues for government activities for the Fire District for the year 2012.

Cost of providing services comprised 70.07% of fire district expenses, with administration comprising 21.59% and Length of Service Awards comprising 3.21%. Operating appropriations offset with revenues made up the remaining 5.13%.

**Budgetary Highlights**

The State of New Jersey requires local fire districts to prepare and adopt annual budgets in accordance with the Local Authorities Fiscal Control Law and regulations adopted by the Local Finance Board pursuant to this statute N.J.S.A. 40A:78-3. The statutory budget was designed to demonstrate to the Bureau of District Regulation of the Division of Local Government Services that the cash flows of the District for the coming year will be sufficient to cover operating expenses.

The following table provides a 2012 budget comparison:

Budget vs. Actual  
FY 2012

	<u>Budget as Modified</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Fund balance utilized (unrestricted)	\$ 134,795.00	\$134,795.00	\$ -
Other Revenues	<u>393,833.00</u>	<u>418,979.23</u>	<u>25,146.23</u>
Total Revenues	<u>528,628.00</u>	<u>553,774.23</u>	<u>25,146.23</u>
Expenses:			
Administration	125,003.00	121,165.02	3,837.98
Cost of providing services	351,625.00	298,903.12	52,721.88
Operating appropriations offset with Revenues	34,000.00	28,799.83	5,200.17
Length of Service Awards Program	<u>18,000.00</u>	<u>18,000.00</u>	<u>-</u>
Total Appropriation	<u>528,628.00</u>	<u>466,867.97</u>	<u>61,760.03</u>
Excess Appropriation over Revenues	-	86,906.26	86,906.26
Less: Fund balance utilized	(134,795.00)	(134,795.00)	-
Fund balance, January 1	<u>253,562.90</u>	<u>253,562.90</u>	<u>-</u>
Fund balance, December 31 (budgetary basis)	<u>\$118,767.90</u>	<u>\$205,674.16</u>	<u>\$86,906.26</u>

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012**

**Budgetary Highlights (continued)**

The District's General Fund Balance of \$215,174.16 reported on Exhibit B-2 differs from the General Fund Budgetary Fund Balance of \$205,674.16 reported on Exhibit C-1. This is because budgetary fund balance is derived using encumbrances.

The following is reconciliation between the District's General Fund Balance on Exhibit B-2 and Budgetary Fund Balance on Exhibit C-1:

Budgetary Fund Balance	\$205,674.16
Encumbrances	<u>9,500.00</u>
General Fund Balance	<u>\$215,174.16</u>

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2012, the District's net property, plant and equipment at fiscal year end was \$956,136.33. This is a \$94,252.16 decrease over last year's net property, plant and equipment of \$1,050,388.49. The decrease is principally due to depreciation. A summary of the District's capital assets is presented in the following table:

**CAPITAL ASSETS**

	FY <u>2012</u>	FY <u>2011</u>
Land	\$ 58,500.00	\$ 58,500.00
Buildings and Building Improvements	773,012.50	773,012.50
Vehicles	<u>1,556,205.45</u>	<u>1,556,205.45</u>
	2,387,717.95	2,387,717.95
Less: accumulated depreciation	<u>(1,431,581.62)</u>	<u>(1,337,329.46)</u>
	\$ <u>956,136.33</u>	\$ <u>1,050,388.49</u>

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012**

**Economic Factors, Future Years' Budgets and Rates**

The Commissioners and management of the District consider many factors when preparing each year's budget and annual charges. Two of the main factors are growth in the District's system and new regulations issued by the State and Federal governments.

**Contacting the District**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the Aberdeen Township Fire District No.2, PO Box 469, Cliffwood, New Jersey 07721.



## **BASIC FINANCIAL STATEMENTS**

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**COUNTY OF MONMOUTH**

**STATEMENT OF NET POSITION**

As of December 31, 2012

	<u>Governmental Activities</u>	<u>Total</u>
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 56,866.99	\$ 56,866.99
Receivables, Net:		
Taxes Receivable	150,000.00	150,000.00
Fire Services Grant Receivable	3,328.50	3,328.50
Due from State of New Jersey	1,143.53	1,143.53
Prepaid Expenses	29,728.50	29,728.50
Restricted Cash and Cash Equivalents	772,072.53	772,072.53
Capital Assets, Net	<u>956,136.33</u>	<u>956,136.33</u>
<b>Total Assets</b>	<u>1,969,276.38</u>	<u>1,969,276.38</u>
 <b>Liabilities:</b>		
<b>Current Liabilities:</b>		
Accounts Payable	28,523.92	28,523.92
Payroll and Taxes Payable	2,544.41	2,544.41
Contingent Liability - LOSAP Contribution (NOTE 7)	<u>18,000.00</u>	<u>18,000.00</u>
<b>Total Liabilities</b>	<u>49,068.33</u>	<u>49,068.33</u>
 <b>Net Position:</b>		
Invested in Capital Assets, Net of Related Debt	956,136.33	956,136.33
<b>Restricted for:</b>		
Firefighter Training and Equipment		
Dedicated Penalties	23,174.97	23,174.97
Capital Projects	748,897.56	748,897.56
Unrestricted Net Position	<u>191,999.19</u>	<u>191,999.19</u>
<b>Total Net Position</b>	<u>\$ 1,920,208.05</u>	<u>\$ 1,920,208.05</u>

The accompanying notes are an integral part of this statement.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
COUNTY OF MONMOUTH

**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2012

Function/Programs	Expenses	Indirect Expense Allocation	Total	Program Revenues Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets	
					Governmental Activities	Total
GOVERNMENTAL ACTIVITIES						
Operating Appropriations:						
Administration	\$ 121,165.02	\$ 94,252.16	\$ 121,165.02	\$ 3,328.50	\$ (121,165.02)	\$ (121,165.02)
Cost of Providing Services	298,903.12		393,155.28		(389,826.78)	(389,826.78)
Operating Appropriations Offset With Revenues	28,799.83		28,799.83		(28,799.83)	(28,799.83)
Length of Service Awards Program	18,000.00		18,000.00		(18,000.00)	(18,000.00)
Total Government Activities	466,867.97	94,252.16	561,120.13	3,328.50	(557,791.63)	(557,791.63)
Total Primary Government	\$ 466,867.97	\$ 94,252.16	\$ 561,120.13	\$ 3,328.50	(557,791.63)	(557,791.63)
GENERAL REVENUES						
Property Taxes Levied for:						
General Purposes					370,000.00	370,000.00
Capital Expenditures					150,000.00	150,000.00
Uniform Fire Safety Act:						
Annual Registration Fees					14,116.15	14,116.15
Penalties and Fines					3,050.00	3,050.00
Smoke Alarm Inspections					19,267.00	19,267.00
Permits					1,375.00	1,375.00
Insurance Reimbursements and Credits					4,701.00	4,701.00
Miscellaneous Income					70.00	70.00
Investment Income					3,071.58	3,071.58
Total General Revenues					565,650.73	565,650.73
Change in Net Position					7,859.10	7,859.10
Net Position - Beginning					1,912,348.95	1,912,348.95
Net Position - Ending					\$ 1,920,208.05	\$ 1,920,208.05

The accompanying notes are an integral part of this statement.

## FUND FINANCIAL STATEMENTS

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
COUNTY OF MONMOUTH, NEW JERSEY

BALANCE SHEET  
GOVERNMENTAL FUNDS

As of December 31, 2012

	General <u>Fund</u>	Capital Projects <u>Fund</u>	Total Governmental <u>Funds</u>
Assets:			
Cash and Cash Equivalents	\$ 80,041.96	\$ 748,897.56	\$ 828,939.52
Accounts Receivable:			
Taxes Receivable	150,000.00		150,000.00
Fire Services Grant Receivable	3,328.50		3,328.50
Due from State of New Jersey	1,143.53		1,143.53
Prepaid Expenses	29,728.50		29,728.50
Total Assets	\$ <u>264,242.49</u>	\$ <u>748,897.56</u>	\$ <u>1,013,140.05</u>
Liabilities and Fund Balance:			
Accounts Payable	\$ 28,523.92	\$	\$ 28,523.92
Payroll and Taxes Payable	2,544.41		2,544.41
Contingent Liability - LOSAP Contribution (NOTE 7)	18,000.00		18,000.00
Total Liabilities	<u>49,068.33</u>		<u>49,068.33</u>
Fund Balances:			
Nonspendable:			
Prepaid Expenditures	29,728.50		29,728.50
Restricted for:			
Firefighter Training and Equipment -			
Dedicated Penalties	23,174.97		23,174.97
Capital Projects		748,897.56	748,897.56
Assigned to:			
Expenditures	9,500.00		9,500.00
Subsequent Year's Budget	82,324.00		82,324.00
Unassigned	70,446.69		70,446.69
Total Fund Balances	<u>215,174.16</u>	<u>748,897.56</u>	<u>964,071.72</u>
Total Liabilities and Fund Balance	\$ <u>264,242.49</u>	\$ <u>748,897.56</u>	
Amounts reported for Governmental Activities in the Statement of Net Position (A-1) are different because:			
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,387,717.95 and the accumulated depreciation is \$1,431,581.62.			<u>956,136.33</u>
Net Position of Governmental Activities			\$ <u>1,920,208.05</u>

The accompanying notes are an integral part of this statement.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**COUNTY OF MONMOUTH, NEW JERSEY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2012

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Miscellaneous Revenues Anticipated:			
Supplemental Fire Services Grant	\$ 3,328.50	\$	\$ 3,328.50
Uniform Fire Safety Act:			
Annual Registration Fees	14,116.15		14,116.15
Penalties and Fines	3,050.00		3,050.00
Amount to be Raised by Taxation	370,000.00	150,000.00	520,000.00
Smoke Alarm Inspections	19,267.00		19,267.00
Investment Income	3,071.58		3,071.58
Permits	1,375.00		1,375.00
Insurance Reimbursements and Credits	4,701.00		4,701.00
Miscellaneous	70.00		70.00
	<u>418,979.23</u>	<u>150,000.00</u>	<u>568,979.23</u>
Total Revenues			
	<u>418,979.23</u>	<u>150,000.00</u>	<u>568,979.23</u>
Expenditures:			
Operating Appropriations:			
Administration	121,165.02		121,165.02
Cost of Providing Services	298,903.12		298,903.12
Operating Appropriations Offset			
with Revenues	28,799.83		28,799.83
Length of Service Awards Program	18,000.00		18,000.00
	<u>466,867.97</u>	<u></u>	<u>466,867.97</u>
Total Expenditures			
	<u>466,867.97</u>	<u></u>	<u>466,867.97</u>
Net Change in Fund Balance	(47,888.74)	150,000.00	102,111.26
Fund Balance - January 1	263,062.90	598,897.56	861,960.46
	<u>263,062.90</u>	<u>598,897.56</u>	<u>861,960.46</u>
Fund Balance - December 31	\$ 215,174.16	\$ 748,897.56	\$ 964,071.72
	<u>\$ 215,174.16</u>	<u>\$ 748,897.56</u>	<u>\$ 964,071.72</u>

The accompanying notes are an integral part of this statement.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
COUNTY OF MONMOUTH, NEW JERSEY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2012

Total Net Change in Fund Balances - Governmental Funds (B-2)	\$ 102,111.26
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Amounts reported for governmental activities in the Statement  
of Activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures.

However, on the Statement of Activities, the cost of those assets is allocated  
over their estimated useful lives as depreciation expense.

This is the amount by which depreciation exceeded capital outlay in the current period.

Depreciation Expense	(94,252.16)
Depreciable Capital Outlays	<u>-</u>

Change in Net Position of Governmental Activities	\$ <u><u>7,859.10</u></u>
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The accompanying notes are an integral part of this statement.



**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**COUNTY OF MONMOUTH, NEW JERSEY**

STATEMENT OF NET POSITION  
 FIDUCIARY FUNDS

As of December 31, 2012

	<u>Unemployment Compensation</u>	(Unaudited) <u>Length of Service Award Plan</u>
Assets:		
Cash	\$ 5,089.93	\$
Accounts Receivable	272.66	
Investments	<u>                    </u>	<u>20,872.58</u>
Total Assets	\$ <u>5,362.59</u>	\$ <u>20,872.58</u>
Liabilities and Net Position:		
Net Position:		
Held in Trust for Unemployment Claims	\$ 5,362.59	\$
Available for Benefits	<u>                    </u>	<u>20,872.58</u>
Total Net Position	\$ <u>5,362.59</u>	\$ <u>20,872.58</u>

The accompanying notes are an integral part of this statement.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
COUNTY OF MONMOUTH, NEW JERSEY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

As of December 31, 2012

	Unemployment <u>Compensation</u>	(Unaudited) Length of Service <u>Award Plan</u>
Additions:		
Investment Income:		
Interest	\$ 12.51	\$
Contributions:		
Fire District Contributions		7,000.00
Fire District Employees	272.66	
Appreciation on Investments		<u>1,264.86</u>
Total Additions	<u>285.17</u>	<u>8,264.86</u>
Deductions:		
Administrative Expenses		<u>450.00</u>
Total Deductions		<u>450.00</u>
Change in Net Position	285.17	7,814.86
Net Position - Beginning of Year	<u>5,077.42</u>	<u>13,057.72</u>
Net Position - End of Year	\$ <u><u>5,362.59</u></u>	\$ <u><u>20,872.58</u></u>

The accompanying notes are an integral part of this statement.

## NOTES TO FINANCIAL STATEMENTS

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2012**

**NOTE 1    DESCRIPTION OF REPORTING ENTITY**

Fire District No. 2 of the Township of Aberdeen ("District") is a political subdivision of the Township of Aberdeen, County of Monmouth, New Jersey.

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.

GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, provide 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 and No. 39. In addition, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* – an amendment of GASB Statements No. 14 and No. 34, provides additional guidance for organizations that do not meet the financial accountability criteria for inclusion as component units but that nevertheless should be included because the primary government's management determines that it would be misleading to exclude them. As of December 31, 2012, it has been determined by the fire district that no component units exist.

**NOTE 2    SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District 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 District's accounting policies are described below.

**A.    Financial Statements:**

**Governmental-Wide Financial Statements**

The District's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These Statements report information on all of the non-fiduciary activities of the primary government.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2012**

**NOTE 2    SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A.   Financial Statements (continued):**

Governmental-Wide Financial Statements (continued)

The Statement of Net Position presents the financial condition of the governmental activities of the District at year end. The statement of activities demonstrates the degree to which the direct expenses of a given function is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or section and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items that are not classified as program revenues are reported as general revenues.

The government wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. All of the District's assets and liabilities, including capital assets, and long-term liabilities are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in Net Assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period the liability is incurred.

Governmental Fund Financial Statements

The District's Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance for all major governmental funds and non-major funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the Net Assets presented in the Government-Wide financial statements.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. Expenditures are recorded in the accounting period in which the related fund liability is incurred. Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the different measurement focus and basis of accounting.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2012**

**NOTE 2    SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A.   Financial Statements (continued):**

Governmental Fund Financial Statements (continued)

The Governmental Funds are as follows:

General Fund - The General Fund is the General Operating fund of the District. All tax revenues are placed in the General Fund and regular operating expenses are charged here.

Capital Projects Fund - The Capital Projects Fund is used for the acquisition or construction of major capital assets. The financial resources are derived from the issuance of debt, by reservation of fund balances that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. Funds appropriated for capital projects included in the annual adopted budget are raised by taxation or are offset by fund balances appropriated and are transferred into the Capital Projects Fund. Additional financial resources may be derived from the sale of existing assets and interest received on the balance in the fund if so designated by the Board of Fire Commissioners.

Fiduciary Fund Financial Statements

Fiduciary Funds – The Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

**B.   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. 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 fire districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statutes provide a list of permissible investments that may be purchased by New Jersey fire districts.

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2012**

**NOTE 2    SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Cash, Cash Equivalents and Investments (continued)**

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 Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of 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.

**C. Assessment and Collection of Property Tax**

Upon proper certification, pursuant to Section 9 of P.L. 1979, c. 453 (C. 40A:14-78.5), the assessor of the municipality in which the fire district is situated shall assess the amount to be raised by taxation to support the District budget against the taxable property therein, in the same manner as municipal taxes are assessed, and the said amount shall be assessed, levied and collected at the same time and in the same manner as other municipal taxes.

The collector or treasurer of the municipality, in which said District is situate, shall pay over all moneys so assessed to the treasurer or custodian of funds of said Fire District as follows: on or before April 1, an amount equalizing 21.25% of all monies so assessed; on or before July 1, an amount equaling 22.50% of all moneys so assessed; on or before October 1, an amount equaling 25.00% of all moneys so 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 such moneys previously paid over, to be held and expended for the purpose of providing and maintaining means for extinguishing fires in such District.

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

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

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2012**

**NOTE 2    SIGNIFICANT ACCOUNTING POLICIES (continued)**

- D. Capital Assets - Capital Assets, which include apparatus and equipment, are reported in the Government-Wide Financial Statements. Capital Assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. The District has set capitalization thresholds for reporting capital assets at \$5,000.00.

Depreciation is recorded on the straight-line method (with one half year applied to the first year of acquisition) over the useful lives of the assets as follows:

Buildings	40 years
Building Improvements	20 years
Fire Trucks	20 years
Other Vehicles	5 years

- E. Inventory Materials and Supplies - Purchase of materials and supplies are recorded as expenditures when they are acquired, regardless of when used.
- F. Prepaid Expenses - Payments made for services not rendered until the subsequent year are recorded as prepaid expenses and are then expensed when the service is rendered.
- G. Budgets/Budgetary Control - An annual budget is prepared each year for the operations of the District. The budget is approved by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The budget is then voted upon by the public, at the annual fire district election held on the third Saturday in February. Budgetary transfers may be made during the last two months of the year. Formal budgetary integration into the accounting system is employed as a management control device during the year.
- H. Encumbrances - Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in excess of accounts payable in governmental funds, other than the special reserve fund, are reported as an assignment of fund balance at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.



**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2012**

**NOTE 2    SIGNIFICANT ACCOUNTING POLICIES (continued)**

- I. Long-Term Obligations - Long-term debt is recorded in the government-wide financial statements when incurred. Long-term debt is recognized in the governmental funds when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

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 debt related to such purchases.

- J. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- K. Unrealized Gains and Losses - GASB has established GASB No. 31 which requires public agencies to report the financial effect of all unrealized gains and losses on invested funds. As of December 31, 2012, the District has no unrealized gains or losses.
- L. Restricted Assets - Certain assets are classified on the Statement of Net Position as restricted because their use is limited. Property taxes collected for capital acquisitions are legally restricted for that purpose. Dedicated penalties for firefighter training and equipment must be used only for firefighter training and/or new firefighting equipment.
- M. Program Revenues – Appropriations received from the Township of Aberdeen that offset the cost of providing services are recorded as program revenues in the Statement of Activities.
- N. Indirect Expense Allocation – Depreciation expense is allocated to the cost of providing services in the Statement of Activities.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2012**

**NOTE 2    SIGNIFICANT ACCOUNTING POLICIES (continued)**

- O. Fund Equity – The District implemented GASB Statement NO. 54, Fund Balance Reporting and Governmental Fund Type Definitions, as of December 31, 2012. This new standard changed the overall definitions and classifications of governmental fund balances.

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

**Governmental Fund Balances:**

Generally, governmental fund balances represent the difference between the assets and liabilities under the current financial resources measurement focus of accounting. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those resources can be spent. Fund balances are classified as follows:

- **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e. items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the District Commissioners through the adoption of a resolution. Only the District Commissioners may modify or rescind the commitment.
- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the District’s intent to be used for specific purposes. But are neither restricted nor committed.
- **Unassigned** – Fund balances are reported as unassigned when the balances do not meet any of the above criterion. The District reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all other funds.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2012**

**NOTE 2    SIGNIFICANT ACCOUNTING POLICIES (continued)**

O. Fund Equity (continued)

Fund Balance Flow Assumptions:

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the district's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the District's policy to use fund balance in the following order: committed, assigned, then unassigned.

Net Position:

Equity for government-wide financial statements is classified as net position and displayed in three components:

1. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on the use either by (a) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments or (b) law through constitutional provisions or enabling legislation. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above.
3. Unrestricted net position – All other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

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

**NOTE 3    DEPOSITS AND INVESTMENTS**

A. Deposits

The District's deposits are insured through the Federal Deposit Insurance Corporation ("FDIC") or New Jersey's Governmental Unit Deposit Protection Act. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by the FDIC.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2012**

**NOTE 3    DEPOSITS AND INVESTMENTS (continued)**

A. Deposits (continued)

Bank balances are insured up to \$250,000.00 in the aggregate by the FDIC for each bank. At December 31, 2012, the book value of the District's deposits was \$834,029.45 and the bank balances of the District's cash and deposits amounted to \$834,628.45. Of the bank balances, \$250,000.00 was covered by FDIC and \$584,628.45 was covered by the New Jersey Governmental Unit Deposit Protection Act.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of December 31, 2012, the District's bank balance was not exposed to custodial credit risk.

B. Investments

As of December 31, 2012, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Book Value</u>
LOSAP Fund:		
LOSAP	\$ <u>20,872.58</u>	\$ <u>20,872.58</u>

The fair value of the above listed investments was based on quoted market price.

Interest Rate Risk

LOSAP investment options are at the discretion of each individual participant and not the District.

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

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2012**

**NOTE 4    CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 58,500.00	\$ -	\$ -	\$ 58,500.00
Capital Assets Being Depreciated:				
Buildings and Building Improvements	773,012.50	-	-	773,012.50
Vehicles	<u>1,556,205.45</u>	<u>-</u>	<u>-</u>	<u>1,556,205.45</u>
Totals at Historic Cost	2,387,717.95	-	-	2,387,717.95
Less Accumulated Depreciation	<u>(1,337,329.46)</u>	<u>(94,252.16)</u>	<u>-</u>	<u>(1,431,581.62)</u>
Government Activity Capital Assets, Net	<u>\$ 1,050,388.49</u>	<u>\$ (94,252.16)</u>	<u>\$ -</u>	<u>\$ 956,136.33</u>

**NOTE 5    PENSIONS AND RETIREMENT PLANS**

Plan Description

The Fire District contributes to the Public Employees' Retirement System (PERS) a cost-sharing multiple-employer defined benefit pension plan administered by the Division of Pensions in the Department of the Treasury, State of New Jersey. The plan provides retirement, death, disability benefits and medical benefits to certain qualifying plan members and beneficiaries. The Public Employees' Retirement System was established January 1, 1955 under the provisions of N.J.S.A. 43:15A. The Public Employees' Retirement System issues publicly available financial reports that include financial statements and required supplementary information. These reports may be obtained by writing to the State of New Jersey, Division of Pensions, PO Box 295, Trenton, NJ 08625.

Funding Policy

Employee contributions are currently 6.64% of their base wages for PERS. Employer's contributions are actuarially determined annually by the Division of Pensions. The Fire District's contribution to the plan for 2012, 2011 and 2010 were \$12,078.00, \$11,413.00 and \$5,232.00 respectively.

The contributions were equal to the required contributions for the respective years.

Under the provisions of Chapter 78, P.L. 2011, employee pension contribution rates for PERS members increased effective July 1, 2012 from 6.50% to 6.64%. The contribution rate will increase by 0.014% each year on July 1 until the rate reaches 7.50% in July 2018.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2012**

**NOTE 6 JOINT FIRE DISTRICT TRAINING GROUND FUND**

The financial statements of the District do not include the operations of the Township of Aberdeen Joint Fire District Training Ground Fund.

This Training Ground Fund was created by the Aberdeen Township Fire Districts No. 1 and No. 2 to establish a Fire Training Ground Fund which accumulates funds for the construction and maintenance of Fire Training Facilities. Each Fire District raises money in its annual budget for the Fund. The records of the Joint Fire District Training Ground Fund are maintained by District No. 1. Aberdeen Fire District No. 2 has contributed \$5,000.00 per year for the years 2003-2012.

**NOTE 7 LENGTH OF SERVICE AWARD PROGRAM (UNAUDITED)**

The District adopted resolution 2009-2 on June 1, 2009 establishing a Length of Service Awards Program ("LOSAP"). The LOSAP will provide tax-deferred income benefits to the active volunteer fire fighters and first aid squad members who are eligible to participate. The 2012 budget charge to fund the LOSAP was \$18,000.00. The \$18,000.00 is shown as a contingent liability in the financial statements. The amount of the contribution at year end is not known. The district charged the budget for the entire amount budgeted. When the actual contribution is calculated funds will be transferred to the LOSAP Fund and the remaining balance will be closed to net position and fund balance as appropriate. The financial statements of the LOSAP are included in the Fiduciary Fund financial statements and are unaudited.

**NOTE 8 RISK MANAGEMENT**

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

Property and Liability Insurance

The District maintains commercial insurance coverage for property, liability and surety bonds. There were no significant reductions in coverage from the prior year and no settlements in excess of insurance coverage in 2012, 2011 and 2010.

**NOTE 9 FUND BALANCE APPROPRIATED**

General Fund - Of the \$215,174.16 General Fund fund balance at December 31, 2012, \$29,728.50 is non spendable (prepaid expenses); \$9,500.00 is assigned to encumbrances; \$82,324.00 has been appropriated and included as anticipated revenue for the year 2013, \$23,174.97 is restricted for Firefighter Training and Equipment – Dedicated Penalties and \$70,446.69 is unassigned.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2012**

**NOTE 9    FUND BALANCE APPROPRIATED (continued)**

Capital Projects Fund - Capital Projects Fund fund balance of \$748,897.56 at December 31, 2012 is restricted as follows:

a) Purchase of a pumper truck	\$796.00
b) Purchase of a heavy duty electric generator for the Cliffwood Fire House	175,000.00
c) Capital Projects to be determined in future years	<u>573,101.56</u>

\$748,897.56

**NOTE 10    CONTINGENT LIABILITIES**

Litigation

The District is involved in legal and administrative proceedings and claims of various types. While any litigation contains an element of uncertainty, District's management, based upon the opinion of the District's attorney, presently believe that the outcome of each such proceeding or claim which is pending or known to be threatened, or all of them combined, will not have a material effect on the district's financial position.

REQUIRED SUPPLEMENTARY INFORMATION -- PART II



**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**COUNTY OF MONMOUTH, NEW JERSEY**

**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**BUDGET AND ACTUAL - BUDGETARY BASIS**

For the Year Ended December 31, 2012

	Adopted Budget	Final Budget	Actual Amounts Budgetary Basis	Variance Final To Actual
Fund Balance Utilized:				
Unrestricted Fund Balance	\$ 134,795.00	\$ 134,795.00	\$ 134,795.00	\$
Revenues:				
Supplemental Fire Services Grant	4,333.00	4,333.00	3,328.50	(1,004.50)
Uniform Fire Safety Act:				
Annual Registration Fees	17,000.00	17,000.00	14,116.15	(2,883.85)
Penalties and Fines			3,050.00	3,050.00
Amount to be Raised by Taxation	370,000.00	370,000.00	370,000.00	
Smoke Alarm Inspections	2,500.00	2,500.00	19,267.00	16,767.00
Interest Income			3,071.58	3,071.58
Permits			1,375.00	1,375.00
Insurance Reimbursements and Credits			4,701.00	4,701.00
Miscellaneous Income			70.00	70.00
Total Revenues	<u>393,833.00</u>	<u>393,833.00</u>	<u>418,979.23</u>	<u>25,146.23</u>
 Total Revenues	 <u>528,628.00</u>	 <u>528,628.00</u>	 <u>553,774.23</u>	 <u>25,146.23</u>
Expenditures:				
Administration:				
Salaries and wages	82,255.00	82,255.00	82,255.00	
Fringe benefits	13,048.00	13,048.00	11,365.51	1,682.49
Election	2,500.00	2,500.00	1,764.00	736.00
Office Expenses	6,200.00	6,200.00	4,852.87	1,347.13
Professional Services	18,000.00	18,000.00	19,300.00	(1,300.00)
Office Equip. Maintenance	500.00	500.00	761.40	(261.40)
Other Assets - Non Bondable	2,500.00	2,500.00	866.24	1,633.76
Total Administration	<u>125,003.00</u>	<u>125,003.00</u>	<u>121,165.02</u>	<u>3,837.98</u>

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**  
**COUNTY OF MONMOUTH, NEW JERSEY**

**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**BUDGET AND ACTUAL - BUDGETARY BASIS**

For the Year Ended December 31, 2012

	Adopted Budget	Final Budget	Actual Amounts Budgetary Basis	Variance Final To Actual
Cost of Providing Services:				
Salaries and Wages	\$ 84,495.00	\$ 84,495.00	\$ 78,130.59	\$ 6,364.41
Fringe Benefits	38,530.00	38,530.00	54,742.56	(16,212.56)
Advertising	1,000.00	1,000.00	330.00	670.00
Insurance	54,000.00	54,000.00	38,776.69	15,223.31
Maintenance & Repairs	70,750.00	70,750.00	46,245.79	24,504.21
Membership/Dues	350.00	350.00	28.00	322.00
Uniforms	26,000.00	26,000.00	22,762.00	3,238.00
Utilities	20,000.00	20,000.00	9,601.92	10,398.08
Gasoline	4,000.00	4,000.00	3,914.85	85.15
Joint Purchase Agreement	5,000.00	5,000.00	5,000.00	
Bureau of Fire Prevention	6,000.00	6,000.00	3,770.00	2,230.00
Other Assets - Non Bondable:				
Radio Equipment	1,500.00	1,500.00	1,500.00	
Fire Fighting Equipment	40,000.00	40,000.00	34,100.72	5,899.28
Total Cost of Providing Services	<u>351,625.00</u>	<u>351,625.00</u>	<u>298,903.12</u>	<u>52,721.88</u>
Operating Appropriations Offset with Revenues:				
Salaries and Wages	22,000.00	22,000.00	22,000.00	
Other Expenses	12,000.00	12,000.00	6,799.83	5,200.17
Total Operating Appropriations Offset with Revenues	<u>34,000.00</u>	<u>34,000.00</u>	<u>28,799.83</u>	<u>5,200.17</u>
Length of Service Awards Program	<u>18,000.00</u>	<u>18,000.00</u>	<u>18,000.00</u>	
Total Expenditures	<u>528,628.00</u>	<u>528,628.00</u>	<u>466,867.97</u>	<u>61,760.03</u>
Excess of Revenues Over/(Under) Expenditures			86,906.26	86,906.26
Fund Balance, January 1	<u>253,562.90</u>	<u>253,562.90</u>	<u>253,562.90</u>	
	253,562.90	253,562.90	340,469.16	86,906.26
Less: Fund Balance Utilized	<u>(134,795.00)</u>	<u>(134,795.00)</u>	<u>(134,795.00)</u>	
Fund Balance, December 31 (Budgetary Basis)	<u>\$ 118,767.90</u>	<u>\$ 118,767.90</u>	<u>\$ 205,674.16</u>	<u>\$ 86,906.26</u>

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**

COUNTY OF MONMOUTH, NEW JERSEY

**BUDGET -to- GAAP RECONCILIATION**

For the Year Ended December 31, 2012

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

	General <u>Fund</u>
Sources/Inflows of Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule (C-1)	\$ 553,774.23
Differences - budget to GAAP:	
The fund balance appropriated is a budgetary resource but is not a current year revenue for financial reporting purposes	<u>(134,795.00)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2)	<u>\$ 418,979.23</u>
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule (C-1)	\$ 466,867.97
Differences - budget to GAAP:	
Encumbrances for supplies, equipment and services ordered but not received is reported in the year the order is placed for budgetary purposes, but the year the supplies, equipment or service is received for financial reporting purposes - net change in encumbrances	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2)	<u>\$ 466,867.97</u>

## OTHER SUPPLEMENTARY INFORMATION

# **ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2**

COUNTY OF MONMOUTH, NEW JERSEY

## **SUMMARY STATEMENT OF PROJECT EXPENDITURES AND RESTRICTED NET POSITION CAPITAL PROJECTS FUND**

As of December 31, 2012

<u>Issue/Project Title</u>	<u>Date Authorized</u>	<u>Appropriation</u>	<u>Balance Dec. 31, 2011</u>	<u>Increases</u>	<u>Expenditures</u>	<u>Balance Dec. 31, 2012</u>
Pumper Truck	02/17/2007	\$ 100,000.00	\$ 796.00	\$ -	\$ -	796.00
Heavy Duty Electric Generator for the Cliffwood Fire House	02/19/2011	175,000.00	175,000.00			175,000.00
Capital Projects to be Determined in Future Years	N/A	N/A	423,101.56	150,000.00		573,101.56
		<u>\$ 275,000.00</u>	<u>\$ 598,897.56</u>	<u>\$ 150,000.00</u>	<u>\$ -</u>	<u>\$ 748,897.56</u>
Tax Levy			<u>\$ 150,000.00</u>			
			<u>\$ 150,000.00</u>			

## INTERNAL CONTROL SECTION

# FALLON & LARSEN LLP

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Certified Public Accountants  
Registered Municipal Accountants

1390 Route 36, Suite 102  
Hazlet, New Jersey 07730-1716  
Telephone: (732) 888-2070  
FAX: (732) 888-6245

**INDEPENDENT AUDITORS' 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  
Aberdeen Township Fire District No. 2  
P.O. Box 469  
Cliffwood, New Jersey 07730

We have audited, in accordance with the 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 the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the governmental activities, each major fund and the aggregate remaining fund information of the Board of Fire Commissioners of the Aberdeen Township Fire District No. 2, (the "District"), of the State of New Jersey, as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated November 25, 2013. The financial statements of the Length of Service Award Program ("LOSAP") were not audited and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to audit the LOSAP Fund financial statements in accordance with auditing standards generally accepted in the United States, *Government Auditing Standards* and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. We expressed a qualified opinion on the conformity of the statements with accounting principles generally accepted in the United States of America because the Division of Local Government Services does not require the Length of Service Award Program to be audited, only reviewed.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

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 in a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comments and recommendations 2012-1 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Aberdeen Township Fire District No. 2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the Aberdeen Township Fire District No. 2 in the accompanying comments and recommendations.

### **District's Response to Findings**

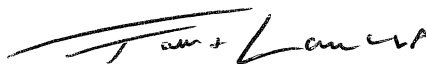
The District's response to the findings identified in our audit is described in the accompanying comments and recommendations. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



Thomas P. Fallon  
Certified Public Accountant  
Registered Municipal Accountant #465



Fallon & Larsen LLP

Hazlet, New Jersey  
November 25, 2013



## COMMENTS AND RECOMMENDATIONS

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2  
COUNTY OF MONMOUTH**

**COMMENTS AND RECOMMENDATIONS  
Year Ended December 31, 2012**

Material Weaknesses

Purchasing

\* Finding 2012-1:

**Criteria:** Proper internal controls include purchasing policies and procedures that should be documented and followed. State statutes require encumbrances to be recorded, purchase orders be approved prior to ordering goods or services and a claimants certification that goods or services were provided.

**Condition:** The District does not have a purchasing policies and procedures manual. Purchase orders were not utilized.

**Effect:** The District does not have proper authorization or documentation for all purchases and is not in compliance with State purchasing guidelines.

**Recommendation:** That the District adopt and adhere to a purchasing policies and procedures manual that includes state requirements.

**Response:** The District will adopt and adhere to a purchasing policies and procedures manual that includes state requirements.

Other Matters

Professional Appointments

**Comment:** Resolutions were not adopted and advertised authorizing agreements for professional services.

**Recommendation:** That resolutions be adopted and advertised authorizing agreements for professional services.

**ABERDEEN TOWNSHIP FIRE DISTRICT NO. 2  
COUNTY OF MONMOUTH**

**COMMENTS AND RECOMMENDATIONS (continued)  
Year Ended December 31, 2012**

Length of Service Award Program

**Comment:** Length of Service Award Program amounts distributed to participants were not approved by resolution.

**Recommendation:** That Length of Service Award Program amounts distributed to participants be approved by resolution.

\* Repeated from prior year.