

DOWNE TOWNSHIP
FIRE DISTRICT NO. 2
COUNTY OF CUMBERLAND
REPORT OF AUDIT
DECEMBER 31, 2017

DOWNE TOWNSHIP FIRE DISTRICT NO. 2

COUNTY OF CUMBERLAND

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DOWNE TOWNSHIP FIRE DISTRICT NO. 2

COUNTY OF CUMBERLAND

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DOWNE TOWNSHIP
FIRE DISTRICT NO. 2
ROSTER OF OFFICIALS

The following officials were in office during 2017:

<u>NAME</u>	<u>TITLE</u>	<u>AMOUNT OF SURETY BOND</u>
<u>Board of Commissioners</u>		
Thomas A. Welden	Chairman	
John E. Laws	Vice Chairman	
Eric Postalwaite	Secretary/Treasurer	\$75,000
Ted Welden	Commissioner	
Harry Wilson	Commissioner	

FINANCIAL SECTION

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

991 S. Black Horse Pike
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Williamstown, NJ 08094

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INDEPENDENT AUDITOR'S REPORT

President and Members of the
Downe Township Fire District No. 2
County of Cumberland
P.O. Box 1
Dividing Creek, New Jersey 08315

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Downe Township Fire District No. 2, in the County of Cumberland, State of New Jersey as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Downe Township Fire District No 2's basic financial statements as listed in the table of contents.

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 basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States; and 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 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 our audit provides a reasonable basis for our opinions.

Opinions

In our opinion, the basic 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 Downe Township Fire District No. 2, County of Cumberland, State of New Jersey, as of December 31, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying Management Discussion and Analysis on pages 6 through 11 along with budgetary comparison information on pages 32 through 33 as listed in the table of contents 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's responses 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 Fire District'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.

Other Reporting Required by Government Auditing Standards

In accordance with **Government Auditing Standards**, we have also issued our report dated March 19, 2018 on our consideration of the Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing, of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be considered in assessing the results of our audit.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.

Raymond Colavita, C.P.A.
Registered Municipal Accountant
March 19, 2018

NIGHTLINGER, COLAVITA & VOLPA

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

INDEPENDENT AUDITOR'S REPORT

President and Members of the
Downe Township Fire District No. 2
County of Cumberland
P.O. Box 1
Dividing Creek, New Jersey 08315

We have audited the financial statements of the governmental activities and each major fund of the Downe Township Fire District No. 2, in the County of Cumberland, State of New Jersey as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Downe Township Fire District No 2's basic financial statements and have issued our report thereon dated March 19, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, New Jersey Division of Local Government Services, State of New Jersey.

Internal Control Over Financial Reporting

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

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fire District'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**.

Purpose of this Report

The purpose of this report is solely 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. However, this report is a matter of public record.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.

Raymond Colavita, C.P.A.
Registered Municipal Accountant
March 19, 2018

REQUIRED SUPPLEMENTARY INFORMATION – PART I

DOWNE TOWNSHIP FIRE DISTRICT No. 2
COUNTY OF CUMBERLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
UNAUDITED

As management of the Downe Township Fire District No. 2, we offer readers of the Downe Township Fire District No. 2 financial statements this narrative overview and analysis of the financial activities of the Downe Township Fire District No. 2 for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the Fire District's financial performance as a whole. Readers should also review the information furnished in the notes to the basic financial statements and financial statements along with the financial statements to enhance their understanding of the Fire District's financial performance.

Financial Highlights

- The assets of Downe Township Fire District No. 2 exceeded its liabilities at the close of the most recent year by \$141,158 (Net Position).
- As of the close of the current year, the Downe Township Fire District No. 2's governmental funds reported ending fund balances of \$83,532 an decrease of \$8,304 in comparison with the prior year.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Downe Township Fire District No. 2's basic financial statements. The Downe Township Fire District No. 2's basic financial statements comprise 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 Downe Township Fire District No. 2's finances, in a manner similar to a private sector business.

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

The Statement of Activities presents information showing how the Downe Township Fire District No. 2's net position changed during the most recent year. All changes in net position 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 certain items that will result in cash flows in future periods.

Both of the district-wide financial statements distinguish functions of the Downe Township Fire District No. 2 that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Downe Township Fire District No. 2 include fire-fighting/suppression services that are provided to the citizens of the Downe Township 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 Downe Township 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 Downe Township Fire District No. 2 constitute one fund type, which is the governmental fund type.

Governmental Funds. All of the Downe Township 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 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 Downe Township Fire District No. 2's general government operations and the basic services it provides. Government fund information provides insight as to determining a range of financial resources available to finance fire-fighting/suppression services in the near future.

The Downe Township Fire District No. 2 maintains a maximum of 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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Also, Downe Township 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 regarding spending within the budget, as well as provide management with a planning tool to achieve the goals of the District.

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

The Net Position reported each year, and amount of change thereon, provides a useful indicator of a government's financial position. In the case of the Downe Township Fire District No. 2, Assets exceeded Liabilities by \$141,158 at the close of the most recent year.

The Downe Township Fire District No. 2's Net Position is mostly unrestricted (88 percent). The remaining portion was comprised entirely of its investment in capital assets. The Downe Township Fire District No. 2 uses these assets to provide fire-fighting/suppression services to the citizens of the Downe Township Fire District No. 2: consequently these assets are not available for future spending. Although the Downe Township Fire District No. 2's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from operating sources, since the capital assets themselves cannot be used to liquidate those liabilities.

Statement of Net Position

Table 1 provides a comparative summary of the Fire District's net position for the years ended in 2017 and 2016.

Table 1
Net Position

	<u>2017</u>	<u>2016</u>
Assets		
Cash	\$ 113,972	\$ 118,541
Capital Assets	57,626	47,469
Total Assets	<u>171,598</u>	<u>166,010</u>
Liabilities		
Accounts Payable	615	405
Due LOSAP Trust Fund	4,800	4,375
Non-Current Liabilities:		
Reserve for LOSAP	25,025	21,925
Total Liabilities	<u>30,440</u>	<u>26,705</u>
Net Position	<u><u>141,158</u></u>	<u><u>139,305</u></u>
Analysis of Net Position		
Invested in Capital Assets,		
Net of Related Debt	57,626	47,469
Unrestricted	83,532	91,836
Total Net Position	<u><u>\$ 141,158</u></u>	<u><u>\$ 139,305</u></u>

In total, the Net Position of governmental activities increased by \$1,853.

Total Liabilities increased when compared with last year, primarily resulting from an increase of \$3,100 designated for future LOSAP contributions.

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. Table 2 shows the changes in net position for 2017 and 2016.

**Table 2
Statement of Activities**

	<u>2017</u>	<u>2016</u>
Expenses		
Operating Expenses		
Administration	\$ 5,377	\$ 5,052
Cost of Operations and Maintenance	56,238	54,468
Depreciation Expense	10,050	7,386
LOSAP Contribution	7,900	7,900
Total Program Expenses	<u>79,565</u>	<u>74,806</u>
Program Revenues		
Operating Grants & Contributions	<u>301</u>	<u>301</u>
Net Program Expenses	<u>79,264</u>	<u>74,505</u>
Taxes:		
Property Taxes, Levied for General Purpose	83,281	82,631
Unrestricted Investment Earnings	650	83
Miscellaneous Revenues	186	
Total General Revenues	<u>84,117</u>	<u>82,714</u>
Increase(Decrease) in Net Position	1,853	8,209
Net Position, January 1	<u>139,305</u>	<u>131,096</u>
Net Position, December 31	<u>\$ 141,158</u>	<u>\$ 139,305</u>

Property taxes constituted 99% of revenues for government activities for the Fire District for the year 2017.

Cost of Operations and maintenance comprises 71% of fire district expenses, with administration comprising 7%. Other expenses comprised 22%.

Financial Analysis of the Government Funds

As previously stated, the Downe Township Fire District No. 2 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund. The focus of the Downe Township 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 Downe Township Fire District No. 2's financing requirements. In particular, unreserved 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 Downe Township Fire District No. 2's governmental funds reported combined ending fund balances of \$83,532, which was \$8,304 less than the prior year. This ending fund balance is comprised of \$73,282 in unassigned funds and \$10,250 in funds designated to support the 2018 budget. The general fund is the main operating fund of the District.

The fund balance of the Downe Township Fire District No. 2's is made up of the general fund. Key factors are as follows:

- The Downe Township Fire District No. 2 spent less than what was anticipated in the 2017 budget categories as follows (Only variances of \$500 or more are reflected):

Advertising by \$766
Outside Services by \$618
Utilities by \$1,576
Contingent by \$1,130
Insurance by \$5,737

Revenues increased \$1,403 from the prior year and operating expenditures decreased \$18,551 over the same period.

Capital Projects Fund

There were no open capital projects and therefore, the District was not required to maintain a capital projects fund.

General Fund Budgetary Highlights

The Downe Township Fire District No. 2 was not required to modify its 2017 general fund budget, through budget transfers.

The original budgetary revenue estimate of \$83,981 was the same as the final budget. This amount was made up of \$83,281 for property taxes (local tax levy), \$100 for interest income and \$600 for supplemental fire services program.

The original budgetary estimate of \$104,231 was the same as the final budget for planned expenditures appropriation.

Operating and Maintenance and Administration expenditures had a combined favorable spending variance of \$11,509 at year end.

Capital Assets and Debt Administration

The Downe Township Fire District No. 2's investment in capital assets for its governmental activities as of December 31, 2017 amounts to \$57,626. This investment in capital assets includes building improvements and firefighting equipment.

CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION

	<u>2017</u>		<u>2016</u>
Building Improvements	\$ 26,749	\$	30,491
Firefighting Equipment	30,877		16,978
Total Capital Assets	<u>\$ 57,626</u>	<u>\$</u>	<u>47,469</u>

Accumulated Depreciation was \$510,467 as of December 31, 2017.

Additional information on the Downe Township Fire District No. 2's capital assets can be found in Note 3 in the notes to financial statements.

Long-Term Obligations

As of the end of 2017, the Downe Township Fire District No. 2 had no bonded debt and no obligation under capital lease agreements.

Economic Factors and Next Years Budget

For the 2017 year the Downe Township Fire District No. 2 was able to sustain its budget through the district tax levy and other sources of revenue. Approximately 99% of total revenue is from the local tax levy, while the remaining 1% is from other sources.

The Board of Fire Commissioners adopted the 2018 budget January 16, 2018 and the voters subsequently approved the budget at the annual fire district election held on February 17, 2018.

The Fire District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of accrual accounting.

Contacting the Fire District's Financial Management

This financial report is designed to provide our patrons, citizens, taxpayers, and creditors with a general overview of the Fire District's finances and to show the Fire District's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. John E. Laws, Vice Chairman, Downe Township Fire District No. 2, PO Box 1, Dividing Creek, NJ 08315.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

EXHIBIT A-1

DOWNE TOWNSHIP FIRE DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 113,972
Capital Assets, net (Note 3)	57,626
	<hr/>
Total Assets	171,598
	<hr/>
LIABILITIES	
Accounts Payable	615
Due LOSAP Trust Fund (Note 11)	4,800
Non-current Liabilities:	
Reserve for LOSAP (Note 11)	25,025
	<hr/>
Total Liabilities	30,440
	<hr/>
NET POSITION	
Invested in Capital Assets, Net of Related Debt	57,626
Unrestricted	83,532
	<hr/>
Total Net Position	\$ 141,158
	<hr/> <hr/>

The accompanying Notes to Financial Statements are an integral part of this statement.

DOWNE TOWNSHIP FIRE DISTRICT NO. 2
STATEMENT OF ACTIVITIES
DECEMBER 31, 2017

Governmental
Activities

Expenses:	
Operating Appropriations:	
Administration	\$ 5,377
Cost of Operations and Maintenance	59,238
Depreciation Expense	10,050
Length of Service Award Program (LOSAP) - Contribution (P.L. 1997, c. 388)	7,900
Total Program Expenses	<u>82,565</u>
Program Revenues:	
Operating Grants and Contributions	301
Net Program Expenses	<u>82,264</u>
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	83,281
Unrestricted Investment Earnings	186
Miscellaneous	650
Total General Revenues	<u>84,117</u>
Increase in Net Position	1,853
Net Position, January 1	<u>139,305</u>
Net Position, December 31	<u>\$ 141,158</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

DOWNE TOWNSHIP FIRE DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and Cash Equivalents	\$ 113,972	\$ 113,972
Total Assets	<u>\$ 113,972</u>	<u>\$ 113,972</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 615	\$ 615
Due LOSAP Trust Fund (Note 11)	4,800	4,800
Reserve for LOSAP (Note 11)	25,025	25,025
Total Liabilities	<u>30,440</u>	<u>30,440</u>
Fund Balances:		
Assigned Fund Balance:		
Designated for Subsequent Years Expenditures	10,250	10,250
Unassigned, Reported in:		
General Fund	73,282	73,282
Total Fund balances	<u>83,532</u>	<u>83,532</u>
Total Liabilities and Fund Balances	<u>\$ 113,972</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 \$568,093 and the accumulated depreciation is \$510,467. (Note 3)

57,626

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 5).

Net position of governmental activities

\$ 141,158

The accompanying Notes to Financial Statements are an integral part of this statement.

DOWNE TOWNSHIP FIRE DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Total Governmental Funds
	Fund	Funds
REVENUES		
Amount to be Raised by Taxation	\$ 83,281	\$ 83,281
Operating Grant Revenue	301	301
Miscellaneous Revenues	836	836
	84,418	84,418
Total Revenues		
EXPENDITURES		
Operating Appropriations:		
Administration	5,377	5,377
Cost of Operations and Maintenance	79,445	79,445
Length of Service Award Program (LOSAP) - Contribution (P.L. 1997, c. 388)	7,900	7,900
	92,722	92,722
Total Expenditures		
Excess (Deficiency) of Revenues Over Expenditures	(8,304)	(8,304)
OTHER FINANCING SOURCES (USES)		
Total Other Financing Sources and Uses		
Net Change in Fund Balances	(8,304)	(8,304)
Fund Balance—Jan 1	91,836	91,836
Fund Balance—Dec 31	\$ 83,532	\$ 83,532

The accompanying Notes to Financial Statements are an integral part of this statement.

DOWNE TOWNSHIP 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, 2017

Total net change in fund balances - governmental funds (from B-2)	\$	(8,304)
-------------------------------------------------------------------	----	---------

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, in 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 capital outlays exceeded depreciation in the period.

Depreciation expense	\$ (10,050)	
Capital outlays	20,207	
		10,157

Repayment of bond principal 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.

Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets.

Proceeds of long-term debt
Capital lease proceeds

Change in net assets of governmental activities (A-2)	\$	1,853
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The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS