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FIRE DISTRICT #2

TOWNSHIP OF FREEHOLD, NEW JERSEY

REPORT OF AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2009

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INDEPENDENT AUDITOR'S REPORT


Board of Commissioners
Fire District #2
Township of Freehold, New Jersey

I have audited the accompanying financial statements of the Fire District #2, Township of Freehold, New Jersey as of and for the year ended December 31, 2009, as listed in the table of contents. These financial statements are the responsibility of the entity's management. My responsibility is to express an opinion on these financial statements based on my audit. These financial statements were prepared in compliance with Statement No.34 of the Governmental Accounting Standards Board.

I conducted my 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentations. I believe that my audit provides a reasonable basis for my opinion.

I have also conducted my audit in accordance with practices prescribed by the Division of Community Affairs, State of New Jersey which are designed primarily to determine compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fire District #2, Township of Freehold, New Jersey at December 31, 2009 and the results of its operations and the changes in cash and equivalents for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Michael Winnicki
Certified Public Accountant

April 18, 2010

REPORT ON THE INTERNAL CONTROL STRUCTURE BASED ON AN
AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS

Board of Commissioners
Fire District #2
Township of Freehold, New Jersey

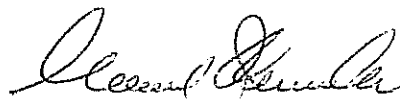
I have audited the accompanying financial statements of the Fire District #2, Township of Freehold, New Jersey as of and for the year ended December 31, 2009, as listed in the table of contents.

I conducted my audit in accordance with Government Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Fire District #2, Township of Freehold, New Jersey, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the financial statements of the Fire District #2, Township of Freehold, New Jersey, for the year ended December 31, 2009, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design or relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control structure and its operation that I consider to be material weaknesses as defined above.



Michael Winnicki
Certified Public Accountant

April 18, 2010

REPORT ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GENERALLY
ACCEPTED AUDITING STANDARDS

Board of Commissioners
Fire District #2
Township of Freehold, New Jersey

I have audited the accompanying financial statements of the Fire District #2, Township of Freehold, New Jersey as of and for the year ended December 31, 2009, as listed in the table of contents.

I conducted my audit in accordance with Government Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The audit was also performed in accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Compliance with laws, regulations, contracts, and grants applicable to Fire District # 2, Township of Freehold, New Jersey, is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the District's compliance with certain provisions of the laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.



Michael Winnicki
Certified Public Accountant

April 18, 2010

EXHIBIT 1

FIRE DISTRICT #2
TOWNSHIP OF FREEHOLD, NEW JERSEY
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

ASSETS

	<u>2009</u>
Cash and Equivalents	\$1,447,402
Prepaid Insurance	65,590
Nondepreciable Capital Assets	25,000
Depreciable Capital Assets, Net	<u>1,372,928</u>
TOTAL ASSETS	<u>\$2,910,920</u>

LIABILITIES

Accounts Payable	\$32,108
Accrued Liability-Remedial Project	500,000
Fire District Tax	18,000
	<hr/>
TOTAL LIABILITIES	<u>550,108</u>

NET ASSETS

FUND BALANCE	
Invested in Capital Assets	1,397,928
Reserved for future capital outlays	460,000
Expendable	1,002,884
Deficit: Remedial Project	<u>(500,000)</u>
TOTAL FUND BALANCE	<u>2,360,812</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$2,910,920</u>

The Notes To Financial Statements are an integral part of this report.

FIRE DISTRICT #2
TOWNSHIP OF FREEHOLD, NEW JERSEY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2009

EXHIBIT 2

	Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>			
Fire District Taxes-			
Operating&Maintenance	\$1,075,000	\$1,075,000	\$0
Bond Principal&Interest			0
Total Fire District Taxes	1,075,000	1,075,000	0
Fund Balance Utilized			0
Miscellaneous Revenue-			
Interest Income	10,000	12,958	2,958
Special Grant-State of N.J.	5,000	5,095	95
Special Grant-Monmouth County			0
Sale of Fire Apparatus			0
Miscellaneous		600	600
Total Miscellaneous Revenue	15,000	18,653	3,653
<u>TOTAL REVENUES</u>	1,090,000	1,093,653	3,653
<u>EXPENDITURES</u>			
Operating&Maintenance(Exhibit 2A)	890,000	734,766	155,234
Depreciation		116,633	(116,633)
Capital Appropriations-			
Capital Outlays	200,000		200,000
Debt Service	0	0	0
Total Capital Appropriations	200,000	0	200,000
<u>TOTAL EXPENDITURES</u>	1,090,000	851,399	238,601
<u>EXCESS(DEFICIT) OF REVENUES OVER EXPENDITURES</u>	\$0	\$242,254	\$242,254
<u>FUND BALANCE AT BEGINNING OF PERIOD</u>		\$2,118,558	
<u>FUND BALANCE AT END OF PERIOD</u>		\$2,360,812	

The Notes To Financial Statements are an integral part of this report.

FIRE DISTRICT #2
TOWNSHIP OF FREEHOLD, NEW JERSEY
STATEMENT OF EXPENDITURES-- OPERATING & MAINTENANCE
FOR THE YEAR ENDED DECEMBER 31, 2009

EXHIBIT 2A

	Budget	Actual	Variance Favorable (Unfavorable)
<u>ADMINISTRATION</u>			
Paid Positions	\$41,000	\$41,000	\$0
Employee Benefits	10,000	106,402	(96,402)
Auditing Services	3,000	2,800	200
Legal Services	17,000	10,827	6,173
Office Services	6,000	2,730	3,270
Promotion	11,000	31,013	(20,013)
Elections	8,500	2,051	6,449
Training & Education	32,500	11,030	21,470
Membership, Dues & Subscriptions	13,000	2,743	10,257
Contingent Expenses	6,000		6,000
Office Supplies & Postage	12,000	3,285	2,715
<u>TOTAL ADMINISTRATION</u>	<u>160,000</u>	<u>213,881</u>	<u>(53,881)</u>
<u>LOSAP</u>	<u>95,000</u>	<u>81,293</u>	<u>13,707</u>
<u>INSURANCE</u>	<u>195,000</u>	<u>21,607</u>	<u>173,393</u>
<u>RENTAL</u>			
Main House & Equipment	75,000	75,000	0
<u>REMEDIAL PROJECT</u>	<u>75,000</u>	<u>92,182</u>	<u>(17,182)</u>
<u>OPERATING MATERIALS & SUPPLIES</u>	<u>65,000</u>	<u>66,552</u>	<u>(1,552)</u>
<u>MAINTENANCE & REPAIRS</u>			
Apparatus, Appliances, Vehicles & Equipment, Communications Equipment,	155,000	136,731	18,269
<u>MAINTENANCE & REPAIRS- BUILDINGS</u>			
Main Base	10,000	2,941	7,059
Daniels Way	25,000	15,731	9,269
Pond Road	35,000	28,848	6,152
<u>TOTAL MAINTENANCE & REPAIRS- BUILDINGS</u>	<u>70,000</u>	<u>47,520</u>	<u>22,480</u>
<u>TOTAL OPERATING & MAINTENANCE</u>	<u>\$890,000</u>	<u>\$734,766</u>	<u>\$155,234</u>

The Notes To Financial Statements are an integral part of this report.

EXHIBIT 3

FIRE DISTRICT #2
TOWNSHIP OF FREEHOLD, NEW JERSEY
STATEMENT OF CASH FLOWS AND CHANGES
IN CASH AND EQUIVALENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

RECEIPTS

Fire District Taxes	\$1,075,000
Interest	12,958
Special Grant--State of New Jersey	5,095
Miscellaneous	600

TOTAL RECEIPTS \$1,093,653

DISBURSEMENTS

Budget Expenditures	734,764
Decrease in Accounts Payable	9,498
Increase in Prepaid insurance	2,182

TOTAL DISBURSEMENTS 746,444

INCREASE(DECREASE) IN CASH AND EQUIVALENTS 347,209

CASH AND EQUIVALENTS--BEGINNING OF PERIOD 1,100,193

CASH AND EQUIVALENTS--END OF PERIOD \$1,447,402

ANALYSIS OF CASH

Freehold Savings & Loan	Checking	1,122
	Savings	0
	Money Market	879,735
	CD	566,545

TOTAL CASH \$1,447,402

The Notes To Financial Statements are an integral part of this report.

FIRE DISTRICT #2
TOWNSHIP OF FREEHOLD, NEW JERSEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

Note 1 **Summary of Significant Accounting Policies**

A. Reporting Entity

The State of New Jersey Division of Local Government Services requires that the financial statements of the Fire District #2, Township of Freehold, be reported separately from its oversight entity.

B. Adoption of New Accounting Standards

Effective with the year ended December 31, 2004, the financial statements of Fire District #2, township of Freehold are prepared in accordance with government accounting standards board principles.

The Schedule of Revenues, Expenses and Changes in Fund Balance and the Statement of Expenditures- Operating and Maintenance have also been prepared using operating principles described in the preceding paragraph.

Note 2 **Fixed Assets**

Beginning in 2004, Property ,Plant and Equipment is being capitalized and depreciated over their estimated useful lives. The financial statements reflect a retroactive adjustment to the book value of the fixed assets for depreciation that would have been taken in years prior to 2004 before GASB 34 was promulgated.

Note 3 **Pension Plan(LOSAP)**

Effective July 1, 1990 The Board of Fire Commissioners established a defined benefit length of service awards program to provide retirement income and life insurance for volunteers in recognition of their service. The plan calls for the accrual of benefits based on length of service with a ten(10) year vesting schedule. The plan is designated for participants between the ages of 19 and 59 with ancillary benefits for participants over 60. Contributions in respect of 2009 were \$81,293 and for 2008 were \$79,153.

Note 4 **Accrued Liability -Remedial Project**

This represents the uninsured 5 year estimate from environmental engineers of the cost of testing and analysis of soil samples and consultation concerning soil contamination at the East Freehold Fire Co. 191 Dutch Lane Rd. Freehold, New Jersey, and the resulting lawsuits from such contamination.

The ongoing cost of the project is being borne by the New Jersey Guarantee Fund, Fireman's Fund Insurance Co. and the Freehold Board of Fire Commissioners. Presently the Board's participation is 12.95% of certain costs and up to 35% of other costs.

FIRE DISTRICT #2
TOWNSHIP OF FREEHOLD, NEW JERSEY
Management Discussion

DECEMBER 31, 2009

The Fire District #2, Freehold Township governs an all volunteer fire company serving mainly the eastern portion of Freehold Township and also some of the surrounding townships and boros. The Board of Commissioners is made up of 5 members who are charged with serving the community by raising money through the budget process and expending those funds for the protection of the township's residents.

Almost all of the Board's money comes from budget appropriations from Freehold Township with additional funds coming from grants from Monmouth County and the Supplemental Fire Services Act and the rental of facilities for voter elections. The fire district supports 3 firehouses- a main base and 2 annexes and 12 pieces of fire apparatus, the last of which was purchased in 2008. Other expenses are incurred in maintaining the volunteers in the best equipment to fight fires and maintaining the fire apparatus in top shape to provide the greatest amount of safety to the volunteers and residents.

The Commissioners are paid positions and the volunteer firefighters are covered by a Length of Service award program including life insurance. The Board has incurred expenses over the last few years for an underground fuel spill at the main base. While the testing for contamination to the surrounding ground soil is ongoing, most of the expense is covered by insurance. Nonetheless the Board set up a large reserve in 2001 to cover any contingency costs.

FIRE DISTRICT #2
TOWNSHIP OF FREEHOLD, NEW JERSEY
STATISTICAL INFORMATION

Property Tax Levies:

Following is a tabulation of district assessed valuations, tax levies and property tax rates per \$100 of assessed valuations for the current and preceding four years:

Fiscal Year	Assessed Valuations	Total Tax Levy	Property Tax Rates
2009	2,760,312,100	1,075,000	.039
2008	1,357,010,798	1,055,000	.078
2007	1,337,693,080	1,175,000	.088
2006	1,309,886,808	\$ 710,000	.055
2005	\$ 1,300,444,537	\$ 733,000	.057

FIRE DISTRICT #2
TOWNSHIP OF FREEHOLD, NEW JERSEY
ROSTER OF OFFICIALS/
SURETY BOND COVERAGE
DECEMBER 31, 2009

The following officials were in office at the conclusion of the period under audit:

<u>NAME</u>	<u>TITLE</u>
Robert Kirwan	Chairman
Richard Clancy	Vice-Chairman
Gregory Brass	Secretary
Dennis Polo	Treasurer
Samuel Polverino	Clerk

All of the officials were covered by the Selective Insurance Company of America Bond #B6020708 and #B6020709 each with a limit of liability of \$600,000.