

TOWNSHIP OF FREEHOLD FIRE DISTRICT #2

COUNTY OF MONMOUTH, NEW JERSEY

REPORT OF AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2011

Prepared by:
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For the Firm of:
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TOWNSHIP OF FREEHOLD FIRE DISTRICT #2
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INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Township of Freehold Fire District #2
County of Monmouth
State of New Jersey

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Freehold Fire District #2 (the "District") as of and for the year ended December 31, 2011 which collectively comprised the District's basic financial statements as noted in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2011, and the respective changes in financial position where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

In accordance with *Government Auditing Standards* we have also issued our report dated March 26, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 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.

Management's Discussion and Analysis on pages 5 through 10 is not a required part of the basic financial statements but is supplementary information required by the accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements of the District taken as a whole. The information included in the supplementary schedules is presented for purposes of additional analysis and is not a required part of the financial statements, but is presented as additional analytical data as required by the Local Finance Board. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



Gerard Stankiewicz
Certified Public Accountant



SAMUEL KLEIN AND COMPANY

Freehold, New Jersey
March 26, 2012

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

Board of Fire Commissioners
Township of Freehold Fire District #2
County of Monmouth
State of New Jersey

We have audited the financial statements of the Township of Freehold Fire District #2, County of Monmouth, State of New Jersey (the "District"), as of and for the year ended December 31, 2011, and have issued our report thereon dated March 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.


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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic 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 basic 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* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. We noted a certain matter that we reported under general comments and recommendations of this report.

This report is intended solely for the information of the District and its management, and other federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Gerard Stankiewicz
Certified Public Accountant



SAMUEL KLEIN AND COMPANY

Freehold, New Jersey
March 26, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Township of Freehold Fire District #2's (District) annual financial report, the management of the District provides narrative discussion and analysis of the financial activities of the District for the audit year ending December 31, 2011.

The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and notes following this section.

Discussion of Financial Statements Included in Annual Audit

The District prepares and presents its financial statements on several different bases, because of accounting requirements and for internal use purposes.

The first set of statements which consist of the Statement of Net Assets, the Statement of Activities and Changes in Net Assets is prepared on an accrual basis and is in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of state and local governments. These statements are the official financial statements of the Township of Freehold Fire District #2.

After the first set of statements and the "Notes to the Financial Statements" that follow is the second set of statements. These statements are considered "Supplemental Information".

The District has historically presented its financial statements on a "GAAP Basis", and continues to do so because it relates more fairly to the annual budget for the same period. The annual budget records all encumbrances as charges against the adopted appropriation even if the items or services have not been received.

Contained in the supplemental information are statements that report the Statement of Net Assets, Statement of Revenues, Expenditures and Changes in Net Assets and Statement of Expenditures Compared to Budget. These statements compare the "Budget" revenues and expenses to "Actual" revenues and expenses. They include operating revenues and expenses, non-operating revenues and non-operating expenses. Principal and Interest are reported in this statement as Debt Service expense, and depreciation is not reported as an expense. On the "GAAP" based and "Modified GAAP" based, Depreciation Expense is included, and only the Interest Expense component of the Debt Service expense is reported.

The Budget to Actual statement is a very important statement to the District management, because it is how we measure our financial performance, particularly as it compares to the approved and adopted annual budget and how it relates to the operational performance.

Other information or statements incorporated within the annual audit report are the Schedules of Cash and Cash Equivalents and Investments – Restricted and Unrestricted.

For the purpose of the Management Discussion and Analysis, the ensuing discussion will review the official statements of the District, those prepared on an accrual basis and in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of state and local governments. This is the first set of statements included in the annual audit report.

Township of Freehold Fire District #2

Comparative Statement of Net Assets

The Township of Freehold Fire District #2's total assets decreased \$49,911 and total liabilities increased \$64,481. Assets exceed liabilities by \$2,170,611 compared to 2010 where the assets exceeded liabilities by \$2,184,181.

The Township of Freehold Fire District #2's Net Assets of \$2,170,611 are comprised of the following:

1. Invested in Capital Assets, Net of Related Debt is as follows:

	December 31,	
	2011	2010
Capital Assets, Net	\$ 952,801	\$ 1,073,119

2. Net assets of \$713,525 are reserved for offsetting future capital expenses.
3. Unrestricted net assets \$504,285 represent the portion available to maintain the District's continuing obligations to the residents of its municipality area, its creditors, employees and bondholders and is available to be budgeted as reserve in subsequent years.

Comparative Statement of Net Assets (Continued)

Net Assets decreased by \$13,570.

	<u>As of December 31,</u>	
	<u>2011</u>	<u>2010</u>
Total Current Assets	\$ 1,105,823	\$ 1,083,251
Total Restricted Assets	713,525	564,868
Capital Assets - Net	<u>952,801</u>	<u>1,073,119</u>
 Total Assets	 <u>\$ 2,772,149</u>	 <u>\$ 2,721,238</u>
 Total Current Liabilities Payable from Current Assets	 \$ 101,538	 \$ 37,057
Accrued Liability for Remediation	<u>500,000</u>	<u>500,000</u>
 Total Liabilities	 <u>\$ 601,538</u>	 <u>\$ 537,057</u>
 Net Assets		
Restricted:		
Invested in Capital Assets, Net of Related Debt	\$ 952,801	\$ 1,073,119
Unrestricted:		
Reserved	713,525	564,868
Unreserved	<u>504,285</u>	<u>546,194</u>
 Total Net Assets	 <u>\$ 2,170,611</u>	 <u>\$ 2,184,181</u>

Total Current Assets for cash and cash equivalents increased because of an increase in Current Liabilities Payable from Current Assets.

Depreciation charged has increased by \$14,648.

Total Current Liabilities Payable from Current Assets for accounts payable have increased because of more year end obligations than in the prior year.

Comparative Statement of Revenues, Expenses and Changes in Net Assets

There was a decrease in Operating Revenues from Taxation of the District. The Revenue decreased \$5,371 or 0.53% from the prior year.

Total Operating Expenses increased \$94,496 or 10.09% from the prior year.

Total Operating Revenues less Total Operating Expenses produced a deficit of \$13,570. This was anticipated by the Commissioners in the annual budget.

Total Net Assets as of December 31, 2011 decreased \$13,570 from \$2,184,181 to \$2,170,611.

	<u>Year Ending December 31,</u>	
	<u>2011</u>	<u>2010</u>
Total Operating Revenues	\$ <u>1,017,595</u>	\$ <u>1,022,966</u>
Operating Expenses	\$ 859,504	\$ 779,656
Depreciation	<u>171,661</u>	<u>157,013</u>
Total Operating Expenses	\$ <u>1,031,165</u>	\$ <u>936,669</u>
Operating Income/(Loss)	\$ (13,570)	\$ 86,297
Change in Net Assets	\$ (13,570)	\$ 86,297
Net Assets, Beginning	<u>2,184,181</u>	<u>2,097,884</u>
Net Assets, Ending	\$ <u><u>2,170,611</u></u>	\$ <u><u>2,184,181</u></u>

Core Competencies

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

The Fire District supports 3 firehouse - a main base and 2 annexes and 12 pieces of fire apparatus, the last of which was purchased in 2011. Other expenses are incurred in the maintaining the volunteers with the best equipment to fight fires and maintaining the fire apparatus in top shape to provide a maximum amount of safety to the volunteers and residents.

The District's budget is voted on at the Annual Fire District Election which is by statute on the third Saturday of February. The budget process begins in October with preparing the details and is finalized and introduced in November and a public hearing is held in December. If the voters defeat the budget, then the Mayor and Township Committee have the right to set the budget. The budget is prepared on a calendar year basis.

The District has a contract with the fire company for use of their building. The Fire Company has approximately 72 volunteer members. The District also participates on a mutual aid consortium for assistance to and from neighboring municipalities.

The main revenue of the District is property taxes which are subject to the annual fire district election. The other sources of revenue are surplus and miscellaneous revenue which accrues to the fund balance of the District.

The majority of the budget relates to insurance, Bay rentals and repair and maintenance of fire trucks.

Accountability

The Township of Freehold Fire District #2's mission statement is:

The Mission Statement:

Our mission for the Township of Freehold Fire District #2 is to provide the ultimate in fire protection services. Always responsive to the residents' needs and the growing community, in compliance with the applicable laws, rules and regulations, the District will continue to set and exceed the standards for the protection of the property, while operating the most efficient system and maintaining a cost effective budget.

As the mission reads, this is who and what the District is accountable to. The District's accountability, first and foremost, is to protect the property. The goal is to provide a cost effective and reliable service, and at the same time to protect the property. This means the District is accountable to the residents, the agencies and people served using the same principles: cost effective, efficient, reliable and protective.

As a district, the District is also guided by or accountable to state government and the applicable rules and regulations that govern the Township of Freehold Fire District #2. More specifically, the District is accountable to the Department of Community Affairs, Division of Local Government Services.

Management of the District

The Commissioners manage the daily operations of the District in conjunction with the Chief of Fire. The Treasurer of the District handles the bookkeeping operations.

Funding of Infrastructure and Debt Management

The District is required by statute to present it's capital projects or capital assets acquisition to the voters of the District for approval. Once approved, the District can proceed to put the required financing in place; however, subject to the Local Finance Board's approval.

Auditors

The District Auditor is Gerard Stankiewicz, CPA of Samuel Klein and Company.

Audits can be obtained by contacting the Township of Freehold Fire District #2.

FINANCIAL STATEMENTS

TOWNSHIP OF FREEHOLD FIRE DISTRICT #2
COUNTY OF MONMOUTH
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Balance December 31, <u>2011</u>
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 830,437.23
Investments	209,931.78
Prepaid Insurance	<u>65,453.68</u>
Total Current Assets	\$ <u>1,105,822.69</u>
Restricted Assets:	
Investments	\$ <u>713,525.01</u>
Total Restricted Assets	\$ <u>713,525.01</u>
Noncurrent Assets:	
Capital Assets, Net	\$ <u>952,801.09</u>
Total Noncurrent Assets	\$ <u>952,801.09</u>
Total Assets	\$ <u><u>2,772,148.79</u></u>
<u>LIABILITIES</u>	
Current Liabilities Payable from Current Assets:	
Accounts Payable	\$ 101,538.16
Accrued Liability for Remediation	<u>500,000.00</u>
Total Current Liabilities Payable from Current Assets	\$ <u><u>601,538.16</u></u>
<u>NET ASSETS</u>	
Restricted:	
Invested in Capital Assets, Net of Related Debt	\$ 952,801.09
Unrestricted:	
Reserved	713,525.01
Unreserved	<u>504,284.53</u>
Total Net Assets	\$ <u><u>2,170,610.63</u></u>

See Accompanying Notes to Financial Statements

FREEHOLD TOWNSHIP FIRE DISTRICT #2
COUNTY OF MNOMOUTH
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

<u>Functions/Programs</u>	<u>Total Government Activities</u>
	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Operating Appropriations:	
Administrative	\$ 117,548.91
Cost of Providing Services	274,603.77
Maintenance and Repairs	190,196.61
Rental Charge	75,000.00
Supplies	62,121.42
Building Utilities and Maintenance	41,565.74
Remediation	98,468.18
Unallocated Depreciation	<u>171,660.70</u>
Total Government Activities	<u>\$ 1,031,165.33</u>
 <u>General Revenues</u>	
Taxes - General Purposes	\$ 990,420.00
Grant Revenue	4,737.50
Investment Earnings	11,257.97
Miscellaneous	<u>11,179.48</u>
	<u>\$ 1,017,594.95</u>
 Change in Net Assets	 <u>\$ (13,570.38)</u>
 Net Assets - Beginning	 <u>\$ 2,184,181.01</u>
 Net Assets - Ending	 <u><u>\$ 2,170,610.63</u></u>

See accompanying Notes to Financial Statements.

REQUIRED SUPPLEMENTARY INFORMATION – PART I

TOWNSHIP OF FREEHOLD FIRE DISTRICT #2
COUNTY OF MONMOUTH
GOVERNMENTAL FUND
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	<u>December 31,</u> <u>2011</u>
<u>ASSETS</u>	
Current Assets:	
Unrestricted Assets:	
Cash and Cash Equivalents	\$ 830,437.23
Investments	209,931.78
Prepaid Insurance	<u>65,453.68</u>
Total Unrestricted Assets	<u>\$ 1,105,822.69</u>
Restricted Assets:	
Investments	<u>\$ 713,525.01</u>
Total Restricted Assets	<u>713,525.01</u>
Total Current Assets	<u>\$ 1,819,347.70</u>
<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities Payable from Unrestricted Assets:	
Accounts Payable	\$ 101,538.16
Accrued Liability for Remediation	<u>500,000.00</u>
Total Current Liabilities	<u>\$ 601,538.16</u>
Net Assets:	
Unrestricted:	
Reserved	\$ 713,525.01
Unreserved	<u>504,284.53</u>
Total Net Assets	<u>\$ 1,217,809.54</u>
 Total Net Assets above	 \$ 1,217,809.54
Amounts reported for <i>governmental activities</i> in the Statement of Net Assets (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 capital assets is \$3,957,590.99 and the accumulated depreciation is \$3,029,789.90 (see Note 4).	<u>952,801.09</u>
Net assets of governmental activities (A-1)	<u>\$ 2,170,610.63</u>

See Accompanying Notes to Financial Statements

TOWNSHIP OF FREEHOLD FIRE DISTRICT #2
COUNTY OF MONMOUTH
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2011

	General Fund		Capital Projects Fund		Total	
	Budget as Modified	Actual	Budget as Modified	Actual	Budget as Modified	Actual
Revenues and Other Financing Sources:						
Unreserved Net Assets Utilized	\$ 206,930.00	\$ 206,930.00	\$ 55,000.00	\$ 55,000.00	\$ 261,930.00	\$ 261,930.00
Miscellaneous Revenues:						
Other Items of Miscellaneous Revenues:						
Interest on Investments	\$ 6,000.00	\$ 11,257.97	\$	\$	\$ 6,000.00	\$ 11,257.97
Other Grants and Entitlements	4,070.00	4,737.50			4,070.00	4,737.50
Miscellaneous		11,179.48				11,179.48
Total Miscellaneous Revenues	\$ 10,070.00	\$ 27,174.95	\$	\$	\$ 10,070.00	\$ 27,174.95
Amount to be Raised by Taxation	\$ 790,420.00	\$ 790,420.00	\$ 200,000.00	\$ 200,000.00	\$ 990,420.00	\$ 990,420.00
Total Revenues and Other Credits	\$ 1,007,420.00	\$ 1,024,524.95	\$ 255,000.00	\$ 255,000.00	\$ 1,262,420.00	\$ 1,279,524.95
Expenditures:						
Budget:						
Operating Appropriations	\$ 1,207,420.00	\$ 859,504.63	\$ 55,000.00	\$ 51,343.00	\$ 1,207,420.00	\$ 859,504.63
Capital Expenditures					55,000.00	51,343.00
Total Expenditures	\$ 1,207,420.00	\$ 859,504.63	\$ 55,000.00	\$ 51,343.00	\$ 1,262,420.00	\$ 910,847.63
Excess of Revenues Over Expenditures	\$	\$ 165,020.32	\$	\$ 203,657.00	\$	\$ 368,677.32
Net Assets, January 1, 2011		546,194.21		564,868.01		1,111,062.22
	\$	711,214.53	\$	768,525.01	\$	1,479,739.54
Less: Unreserved Net Assets Utilized		206,930.00		55,000.00		261,930.00
Net Assets, December 31, 2011	\$	504,284.53	\$	713,525.01	\$	1,217,809.54

See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF FREEHOLD FIRE DISTRICT #2
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

Note 1. REPORTING ENTITY

This report includes the financial statements of the Township of Freehold Fire District #2 (the "District"), within the County of Monmouth, in the State of New Jersey and reflects the activities for the District that are under the control of the Board of Fire Commissioners.

The District was established in accordance with the provisions of N.J.S.A. 40A:14-70.

The District is not a component unit of any other financial reporting entity nor does the District have any component units to be presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14.

Reporting Entity

The Freehold Township Fire District #2 is a political subdivision of the Township of Freehold, Monmouth County, New Jersey. The District functions independently through a Board of Fire Commissioners. The Board is comprised of five members elected to three-year terms. The annual Fire District election is held the third Saturday of February.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is a fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

TOWNSHIP OF FREEHOLD FIRE DISTRICT #2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Note 2. SUMMARY OF 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 District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the District's accounting policies are described below.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to residents or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Basis of Accounting

The accrual basis of accounting is followed. Revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the fiscal period. Expenditures are recognized in the period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

TOWNSHIP OF FREEHOLD FIRE DISTRICT #2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds

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

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific revenue sources, such as state or federal government grants and appropriations, that are legally restricted to expenditures for specified purposes. There was no activity in this fund for 2011.

Capital Project Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities such as fire houses and fire fighting apparatus. Generally, the financial resources of the Capital Projects Fund are derived from the issuance of debt or by the reservation of fund balance that must be authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund – The Debt Service Fund is used to account for resources that will be used to service general long-term liabilities.

Fixed Assets – Property, plant and equipment purchased by the general fund and the capital projects fund are recorded as expenditures at the time of purchase. The historical cost, or if such cost is not practically determinable, the estimated historical cost, of such fixed assets is reflected in the Capital Assets account.

Fund Equity

Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

Measurement Focus

Government-Wide Financial Statements

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

TOWNSHIP OF FREEHOLD FIRE DISTRICT #2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus (Continued)

Fund Financial Statements

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

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the fall of each preceding year for the general, special revenue, and debt service funds. The budgets are submitted to the State, Department of Community Affairs, Division of Local Government Services, Bureau of Authority Regulation for approval and are voted upon by the registered voters of the Township at the annual fire district election on the third Saturday in February. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts. Transfers of appropriations may be made by District resolution at any time during the last three months of the fiscal year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

TOWNSHIP OF FREEHOLD FIRE DISTRICT #2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Note 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

A. Cash

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund.

The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities that mature or are redeemed within one year. Twenty-five percent of the Fund may be invested in eligible securities that mature within two years provided, however, the arbitrage maturity of all investments in the Fund shall not exceed one year. Collateralization of Fund investments is generally not required.

In addition, by regulation of the Division of Local Government Services, fire districts are allowed to deposit funds in Government Money Market Mutual Funds purchased through state registered brokers/dealers and banks.

In accordance with the provisions of the Governmental Unit Deposit Protection Act of New Jersey, public depositories are required to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal five percent of the average daily balance of public funds or,

If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, The Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

The amount on deposit of District's cash and cash equivalents at December 31, 2011 was \$838,706.00.

TOWNSHIP OF FREEHOLD FIRE DISTRICT #2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Note 3. CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments

New Jersey statutes permit the District to purchase the following types of securities:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America. This includes instruments such as Treasury bills, notes and bonds.
- Government money market mutual funds.
- Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.
- Bonds or other obligations of the local unit or school districts of which the local unit is a part.
- Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments.
- Local government investment pools, such as New Jersey CLASS and the New Jersey Arbitrage Rebate Management Program.
- New Jersey State Cash Management Fund.
- Repurchase agreements of fully collateralized securities, subject to special conditions.

In addition, a variety of State laws permit local governments to invest in a wide range of obligations issued by State governments and its agencies. The District has an investment in a Certificate of Deposit of \$923,456.79 purchased on November 20, 2011 maturing May 20, 2012 at .747%.

C. Risk Analysis

All bank deposits, as of the balance sheet date, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act.

TOWNSHIP OF FREEHOLD FIRE DISTRICT #2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Note 4. CAPITAL ASSETS, NET

All reported capital assets except for land are depreciated. At December 31, 2011, capital assets and the useful lives used for determination of annual depreciation were as follows:

	Balance	<u>Current Year's Activity</u>		Balance	
	<u>December 31, 2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>December 31, 2011</u>	<u>Useful Life</u>
Non Depreciable:					
Land	\$ 25,000.00			\$ 25,000.00	
Depreciable:					
Buildings	490,000.00			490,000.00	20-40 Years
Trucks	3,232,826.00			3,232,826.00	10 Years
Equipment	88,290.00			88,290.00	10 Years
Vehicles	<u>95,131.99</u>	\$ <u>51,343.00</u>		<u>146,474.99</u>	5 Years
	\$ 3,931,247.99	\$ 51,343.00		\$ 3,982,590.99	
Less: Accumulated Depreciation	<u>2,858,129.20</u>	\$ <u>171,660.70</u>		<u>3,029,789.90</u>	
	<u>\$ 1,073,118.79</u>	<u>\$ (120,317.70)</u>		<u>\$ 952,801.09</u>	

Depreciation expense for the years ended December 31, 2011 and 2010 were \$171,660.70 and \$157,013.20, respectively.

TOWNSHIP OF FREEHOLD FIRE DISTRICT #2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Note 5. **LENGTH OF SERVICE AWARDS PROGRAM**

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. There are approximately 41 participants as of June 30, 2011. Contributions in respect of 2011 were \$95,485.00 and for 2010 were \$81,354.10 and were consistent with actuarial determinations for minimum funding. The activity during the year is as follows:

	<u>2011</u>	<u>2010</u>
Beginning Balance July 1	\$ 415,344.06	\$ 357,360.40
Increased by:		
Contributions	\$ 95,485.00	\$ 81,354.10
Earnings	19,757.92	19,029.66
Death Claims	<u>46,373.00</u>	<u> </u>
Decreased by:		
Fees	\$ 1,356.00	\$ 987.00
Death Claims	46,373.00	
Unamortized Payments from Fee	34,500.00	34,500.00
Premium	<u>7,190.00</u>	<u>6,913.10</u>
Ending Balance June 30	<u>\$ 487,540.98</u>	<u>\$ 415,344.06</u>

Note 6. **ACCRUED LIABILITIES-REMEDIATION 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 lawsuit from such contamination. The ongoing cost of the project is being borne and the Freehold Board of Fire Commissioners. Presently the Board's participation is 26.36% of certain costs and up to 35% of other costs, some of which may be subject to further reimbursement.

TOWNSHIP OF FREEHOLD FIRE DISTRICT #2
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Note 7. NET ASSETS

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

Note 8. FUND BALANCE APPROPRIATED

General Fund – Of the \$504,285 General Fund balance at December 31, 2011, \$216,192 has been appropriated and included as anticipated revenue for the year ended December 31, 2012.

Note 9. BAY RENTAL

The District leases space from the volunteer fire company to house it's trucks and serve as headquarters for the District operation. The lease for 2011 required payments of \$75,000.00 and is renewed annually.

Note 10. COMMITMENTS AND CONTINGENT

The District's attorney representation has revealed no material contingent liability for the District. A special counsel for the firm has responded that there are issues related to the remediation problems which a provision has been made for (refer Note 6).

REQUIRED SUPPLEMENTARY INFORMATION – PART II

TOWNSHIP OF FREEHOLD FIRE DISTRICT #2
COUNTY OF MONMOUTH
GENERAL FUND
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	<u>December 31,</u> <u>2011</u>
<u>ASSETS</u>	
Current Assets:	
Unrestricted Assets:	
Cash and Cash Equivalents	\$ 830,437.23
Investments	209,931.78
Prepaid Insurance	<u>65,453.68</u>
Total Current Assets	<u>\$ 1,105,822.69</u>
 <u>LIABILITIES AND NET ASSETS</u> 	
Current Liabilities Payable from Unrestricted Assets:	
Accounts Payable	\$ 101,538.16
Accrued Liability for Remediation	<u>500,000.00</u>
Total Current Liabilities	<u>\$ 601,538.16</u>
Net Assets:	
Unrestricted	<u>\$ 504,284.53</u>
Total Net Assets	<u>\$ 504,284.53</u>

See Accompanying Notes to Financial Statements

TOWNSHIP OF FREEHOLD FIRE DISTRICT #2
COUNTY OF MONMOUTH
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2011

REVENUES

Miscellaneous Revenues	\$ 11,179.48
Interest on Investments	11,257.97
Other Grants and Entitlements	4,737.50
Amount to be Raised by Taxation	<u>790,420.00</u>
Total Revenues	<u>\$ 817,594.95</u>

EXPENDITURES

Operating Appropriations	<u>\$ 859,504.63</u>
Total Expenditures	<u>\$ 859,504.63</u>
Excess/(Deficiency) of Revenues Over Expenditures	\$ (41,909.68)
Net Assets, January 1	<u>546,194.21</u>
Net Assets, December 31	<u><u>\$ 504,284.53</u></u>

See Accompanying Notes to Financial Statements

TOWNSHIP OF FREEHOLD FIRE DISTRICT #2
COUNTY OF MONMOUTH
GENERAL FUND
STATEMENT OF EXPENDITURES COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2011

	Budget as <u>Adopted</u>	Budget as <u>Modified</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>General Fund</u>				
Operating Appropriations:				
Administrative:				
Election	\$ 2,500.00	\$ 2,500.00	\$ 825.26	\$ 1,674.74
Membership Dues	13,000.00	13,000.00	2,853.26	10,146.74
Office Expenses	6,000.00	6,000.00	5,934.20	65.80
Professional Service	20,000.00	20,000.00	19,633.84	366.16
Promotion	11,000.00	11,000.00	4,196.77	6,803.23
Office Supplies	12,000.00	12,000.00	11,688.30	311.70
Training and Education	39,500.00	39,500.00	31,417.28	8,082.72
Contingent Expenses	8,000.00	8,000.00		8,000.00
Commissioners	41,000.00	41,000.00	41,000.00	
Cost of Providing Services				
Administration	10,000.00	10,000.00		10,000.00
Insurance	195,000.00	195,000.00	179,603.77	15,396.23
LOSAP	95,000.00	95,000.00	95,000.00	
Maintenance and Repairs				
Maintenance and Repair	259,420.00	259,420.00	190,196.61	69,223.39
Rental Charge	75,000.00	75,000.00	75,000.00	
Supplies	65,000.00	65,000.00	62,121.42	2,878.58
Building Utilities and Maintenance				
Dutch Lane Road	6,000.00	6,000.00	5,425.40	574.60
Pond Road	19,000.00	19,000.00	16,946.23	2,053.77
Daniels Way	30,000.00	30,000.00	19,194.11	10,805.89
Remediation	<u>100,000.00</u>	<u>100,000.00</u>	<u>98,468.18</u>	<u>1,531.82</u>
Subtotal:	1,007,420.00	1,007,420.00	859,504.63	147,915.37
Capital Improvements				
Capital Expenditures	55,000.00	55,000.00	51,343.00	3,657.00
Reserve for Future Capital Outlay	<u>200,000.00</u>	<u>200,000.00</u>	<u>200,000.00</u>	
Total Appropriation	<u>\$ 1,262,420.00</u>	<u>\$ 1,262,420.00</u>	<u>\$ 1,110,847.63</u>	<u>\$ 151,572.37</u>

Analysis of Actual:

Cash Disbursed:

Operating	\$ 692,393.27
Transfer to Capital Projects Fund	200,000.00
Capital Expenditures	51,343.00
Accounts Payable	101,538.16
Prepaid Applied	<u>65,573.20</u>
	<u>\$ 1,110,847.63</u>

TOWNSHIP OF FREEHOLD FIRE DISTRICT #2
COUNTY OF MONMOUTH
STATEMENT OF NET ASSETS
CAPITAL PROJECTS FUND
YEAR ENDED DECEMBER 31, 2011

	<u>December 31,</u> <u>2011</u>
<u>ASSETS</u>	
Investments	\$ <u>713,525.01</u>
TOTAL ASSETS	\$ <u><u>713,525.01</u></u>
<u>NET ASSETS</u>	
Reserved for Future Capital Outlay	\$ <u>713,525.01</u>
Total Net Assets	\$ <u>713,525.01</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>713,525.01</u></u>

See Accompanying Notes to Financial Statements

TOWNSHIP OF FREEHOLD FIRE DISTRICT #2
COUNTY OF MONMOUTH
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2011

REVENUES

2010 Budget Appropriation	\$ <u>200,000.00</u>
Total Revenues	\$ <u>200,000.00</u>

EXPENDITURES

Capital Expenditure	\$ <u>51,343.00</u>
Total Expenditures	\$ <u>51,343.00</u>
Excess of Revenues Over Expenditures	\$ 148,657.00
Net Assets, January 1	<u>564,868.01</u>
Net Assets, December 31	\$ <u><u>713,525.01</u></u>

See Accompanying Notes to Financial Statements

SUPPLEMENTARY INFORMATION

TOWNSHIP OF FREEHOLD FIRE DISTRICT #2
COUNTY OF MONMOUTH
GENERAL FUND AND CAPITAL PROJECTS FUND
SCHEDULE OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH, CASH EQUIVALENTS AND INVESTMENTS
YEAR ENDED DECEMBER 31, 2011

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Receipts:			
District Taxes	\$ 790,420.00	\$ 200,000.00	\$ 990,420.00
Interest on Investments	11,257.97		11,257.97
Other Grants or Entitlements	4,737.50		4,737.50
Miscellaneous	11,179.48		11,179.48
	<u>\$ 817,594.95</u>	<u>\$ 200,000.00</u>	<u>\$ 1,017,594.95</u>
Disbursements:			
Accounts Payable	\$ 37,056.67		\$ 37,056.67
Capital Appropriations		\$ 51,343.00	51,343.00
Operating Appropriations	692,390.27		692,390.27
Prepaid Insurance	65,453.68		65,453.68
	<u>\$ 794,900.62</u>	<u>\$ 51,343.00</u>	<u>\$ 846,243.62</u>
Increase in Cash and Cash Equivalents	\$ 22,694.33	\$ 148,657.00	\$ 171,351.33
Cash and Cash Equivalents, January 1, 2011	<u>1,017,674.68</u>	<u>\$ 564,868.01</u>	<u>1,582,542.69</u>
Cash and Cash Equivalents, December 31, 2011	<u>\$ 1,040,369.01</u>	<u>\$ 713,525.01</u>	<u>\$ 1,753,894.02</u>
Analysis of Cash and Cash Equivalents:			
Cash - Checking	\$ 5,734.93		\$ 5,734.93
Money Market	824,702.30	\$	824,702.30
Sub Total	830,437.23	-	830,437.23
Investments - Certificate of Deposit	<u>209,931.78</u>	<u>713,525.01</u>	<u>923,456.79</u>
	<u>\$ 1,040,369.01</u>	<u>\$ 713,525.01</u>	<u>\$ 1,753,894.02</u>

TOWNSHIP OF FREEHOLD FIRE DISTRICT #2
STATISTICAL INFORMATION
DECEMBER 31, 2011

Property Tax Levies

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

<u>Fiscal Year</u>	<u>Assessed Valuation</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2011	\$ 2,717,950,738.00	\$ 990,420.00	0.037
2010	2,728,238,591.00	971,000.00	0.036
2009 *	2,760,312,100.00	1,075,000.00	0.039
2008	1,357,010,798.00	1,055,000.00	0.078
2007	1,309,866,808.00	1,175,000.00	0.088

* Revaluation effective.

Unreserved Net Assets

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
December 31, 2011	\$ 504,284.53	\$ 216,192.00
December 31, 2010	546,194.21	206,930.00
December 31, 2009	502,883.61	100,000.00
December 31, 2008	343,997.00	N/A
December 31, 2007	1,196,737.00	N/A

Reserved Net Assets (for Future Capital Outlay)

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
December 31, 2011	\$ 713,525.01	None
December 31, 2010	564,868.01	\$ 55,000.00
December 31, 2009	460,000.00	95,131.99
December 31, 2008	1,435,000.00	975,000.00
December 31, 2007	1,235,000.00	None

BOARD OF FIRE COMMISSIONERS
TOWNSHIP OF FREEHOLD FIRE DISTRICT #2
ROSTER OF OFFICIALS
DECEMBER 31, 2011

Board of Commissioners

Robert Kirwan

Richard Clancy

Gregory Brass

Dennis Polo

Samuel Polverino

Position

Chairman

Vice Chairman

Secretary *

Treasurer

Clerk

Other Officials

Charles Parker, Esq.

Freehold Savings Bank

Board Attorney

Official Depository

* Surety Company

Selective Insurance Company of America

Bond #B6020709

All officials covered with a limit of liability of \$600,000

GENERAL COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS AND RECOMMENDATIONS
DECEMBER 31, 2011

Scope of Examination and Conditions of Records

Our examination covered the funds of the Board of Fire Commissioners, Fire District #2, Township of Freehold handled by the Treasurer.

The financial records were maintained in good condition.

Minutes of Board meetings were properly maintained by the Recording Secretary.

Cash and Cash Equivalents and Investments

The balances in banks at December 31, 2011 were verified with the bank and reconciliations and/or statements issued by the depositories.

Our examination revealed that the Fire District maintains its investable funds in a money market fund and a certificate of deposit. A cash management plan was not adopted; however, it is anticipated that one will be approved at the next meeting after issuance of this report.

Examination of Claims

In verifying expenditures, computations were tested on claims approved and paid. No attempt was made in this connection to establish proof of rendition, character or extent of services, nor quantities, nature, propriety of prices or receipt of materials, these elements being left necessarily to internal review in connection with approval of claims.

Claims paid during the period under audit were examined on a test basis to determine that they are submitted on Board vouchers, audit, itemized, signed by the officials as to approval for payment, allocation to the proper accounts and charged to the proper fiscal period, and in agreement with bill lists set forth in the approved minutes of the Board. There were minor exceptions, none of which were significant. These matters are under review by the Treasurer for corrective action.

Contracts and Agreements Required to be Advertised for N.J.S. 40A:11-4 (as amended)

N.J.S. 40A:11-4 (as amended) states, "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding \$26,000.00, except by contract or agreement."

The members of the Township of Freehold Fire District #2 have the responsibility of determining whether any contract or agreement might result in violation of the statute and, when necessary, the Board Attorney's opinion should be sought before a commitment is made.

GENERAL COMMENTS AND RECOMMENDATIONS (CONTINUED)
DECEMBER 31, 2011

Contracts and Agreements Required to be Advertised for N.J.S. 40A:11-4 (as amended)
(Continued)

The minutes indicate that bids were requested by public advertising for the following item:

Pickup Truck

In addition, the following items were purchased under state contract:

Fire Equipment

Radio Equipment

Inasmuch as the system of records did not provide for any accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The results of our examination indicated that no individual payments, contracts or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies", in excess of the statutory thresholds where there had been no advertising for bids in accordance with provisions of N.J.S.A. 40A:11-21.

Financial Procedures

It is suggested that for all financial processes within each function that a review, updating and documentation of all procedures be done in order to be in compliance with recent accounting and auditing requirements related to internal control.

General Ledger

The District does not maintain a general ledger as required by the General Accounting Office (GAO). It should be noted that an adequate trail exists for the cash receipts, cash disbursements records and the bank reconciliation process.

GENERAL COMMENTS AND RECOMMENDATIONS (CONTINUED)
DECEMBER 31, 2011

Miscellaneous

An exit conference was held in accordance with Auditing Standards Generally Accepted in the United States of America for governmental entities.

Acknowledgment

During the course of the audit, we received the cooperation of the officials of the Fire District and we appreciate the courtesies extended to us.

RECOMMENDATIONS

None.

The problems and weaknesses noted in our audit were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole. However, the items referred to in the Comments and Recommendations need to be addressed by the Board.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "G. Stankiewicz". The signature is written in a cursive style with a large initial "G" and "S".

Gerard Stankiewicz, CPA, RMA
For The Firm
SAMUEL KLEIN AND COMPANY