

**REPORT OF AUDIT**  
**OF THE**  
**FIRE DISTRICT NO. 2**  
**TOWNSHIP OF NEPTUNE, NEW JERSEY**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**FIRE DISTRICT NO. 2  
TOWNSHIP OF NEPTUNE, NEW JERSEY**

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**FIRE DISTRICT NO. 2  
TOWNSHIP OF NEPTUNE, NEW JERSEY**

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**OFFICIALS IN OFFICE AND SURETY BONDS**

<u>Name</u>	<u>Amount of Surety Bond</u>
<b><u>Board of Commissioners</u></b>	
William Zimmerman, Chairman (Resigned December 31, 2010)	
Douglas H. McMahon, Secretary (Resigned July 8, 2010)	
Robert S. McEwan, Treasurer	(A)
Matthew Gannon	
William H. Mockridge (Appointed to Secretary Position July 8, 2010)	
William Ball (Appointed August 12, 2010)	
<b><u>Other Officials</u></b>	
William H. Bailey, Clerk, Reserve Paid Fireman (Resigned from Clerk Position and Appointed to Assistant Clerk Position October 14, 2010)	
David M. Shotwell, Jr. (Appointed to Clerk Position October 14, 2010)	
Richard J. Cuttrel, Financial Officer	(A)
Ronald G. Cole, Jr., Paid Fireman, Fire Official	
Scott Liddick, Reserve Paid Fireman (Appointed to Part-Time Fire Official Position July 8, 2010)	
James Hundley, Attorney	
Walter Quigg, Chaplain	
Kenneth Gluckow, Chaplain	
Richard Twidle, Chaplain	
Scott Hoffman, Chaplain	
<b><u>Surety Company</u></b>	
(A) Pennsylvania National provides a blanket position bond which covers the Treasurer and Financial Officer by title for an amount of \$5,000.00 for each position.	

**FINANCIAL SECTION**

# ALVINO & SHECHTER, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

110 Fortunato Place

Neptune, New Jersey 07753-3767

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## INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners  
Fire District No. 2  
Township of Neptune  
Ocean Grove, New Jersey 07756

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Township of Neptune Fire District No. 2, in the County of Monmouth, State of New Jersey, as of and for the year ended December 31, 2010, which collectively comprise the Fire District's basic financial statements in the table of contents. These financial statements are the responsibility of the Township of Neptune Fire District No. 2's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

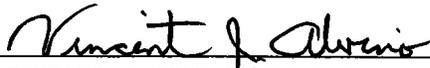
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Township of Neptune Fire District No. 2, in the County of Monmouth, State of New Jersey as of December 31, 2010, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 25, 2011 on our consideration of the Township of Neptune Fire District No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Neptune Fire District No. 2's basic financial statements. The related major fund supporting statements and schedules included in the Other Supplementary Information section 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 taken as a whole.

Respectfully submitted,

  
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ALVINO & SHECHTER, L.L.C.  
Certified Public Accountants

Neptune, New Jersey  
May 25, 2011

# ALVINO & SHECHTER, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

110 Fortunato Place

Neptune, New Jersey 07753-3767

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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**

Board of Fire Commissioners  
Fire District No. 2  
Township of Neptune  
Ocean Grove, New Jersey 07756

We have audited the financial statements of the governmental activities, and each major fund of the Township of Neptune Fire District No. 2, in the County of Monmouth, State of New Jersey, as of and for the year ended December 31, 2010, and have issued our report thereon dated May 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, State of New Jersey.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township of Neptune Fire District No. 2'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 Township of Neptune Fire District No. 2's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Neptune Fire District No. 2's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

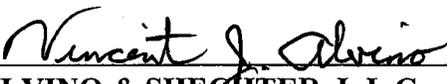
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies 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 Township of Neptune Fire District No. 2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards, and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, State of New Jersey. However, we noted certain immaterial instances of noncompliance that we have included as findings in the schedule of findings and recommendations section of the report of audit.

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

Respectfully submitted,

  
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ALVINO & SHECHTER, L.L.C.  
Certified Public Accountants

Neptune, New Jersey  
May 25, 2011

**REQUIRED SUPPLEMENTARY INFORMATION  
PART I**

**NEPTUNE TOWNSHIP FIRE DISTRICT NO. 2  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)**

As management of the Neptune Township Fire District No. 2, we offer readers of the Neptune Township Fire District No. 2 financial statements this narrative overview and analysis of the financial activities of the Neptune Township Fire District No. 2 for the year ended December 31, 2010. The intent of this discussion and analysis is to look at the Neptune Fire District No. 2 financial performance as a whole. Readers should also review the information furnished in the notes to the basic financial statements along with the financial statements to enhance their understanding of the Neptune Township Fire District No. 2's financial performance.

**Financial Highlights**

- The assets of Neptune Township Fire District No. 2 exceeded its liabilities at the close of the most recent year by \$396,778.03 (Net Assets).
- As of the close of the current year, the Neptune Township Fire District No. 2's governmental funds reported combined ending fund balances of \$340,332.53, a increase of \$64,434.15 in comparison with the prior year. The increase is attributable to the expenditure of no required funds for capital lease obligations in the budget for 2010 in combination with the current year designation of the reserve for future capital outlays.
- At the end of the current year, unreserved fund balance for the general fund was \$265,332.53, approximately a 4 per cent decrease from the prior year.
- The Neptune Township Fire District No. 2 had no budgeted debt payment obligation in budget year 2010.

**Overview of Financial Statements**

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

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

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

Both of the district-wide financial statements distinguish functions of the Neptune Township Fire District No. 2 that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Neptune Township Fire District No. 2 include fire-fighting services that are provided to the citizens of the Neptune 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 Neptune Fire District No. 2, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Neptune Township Fire District No. 2 constitute two fund types, governmental funds and fiduciary funds.

**Governmental Funds.** The majority of the Neptune 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 the future periods. These funds are reported using an accounting method called the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Neptune Township Fire District No. 2's general government operations and the basic services it provides. Government fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance fire-fighting services.

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

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

Also, Neptune 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 with the budget.

**Fiduciary Funds.** A small amount of the Neptune Township Fire District No. 2's activities are reported in fiduciary funds, which are used to account for assets held by the District on behalf of others and includes assets held for the Unemployment Compensation Trust Fund.

The Neptune Township Fire District No. 2 maintains one fiduciary fund type, the Unemployment Compensation Trust Fund. Information is presented separately in the fiduciary fund statement of fiduciary net assets and statement of changes in fiduciary net assets.

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

### **District-wide Financial Analysis**

As noted earlier, the net assets may serve over time as a useful indicator of a government's financial position. In the case of the Neptune Township Fire District No. 2, assets exceeded liabilities by \$396,778.03 at the close of the most recent year.

A substantial portion of the Neptune Township Fire District No. 2's net assets (32 per cent) reflects its investment in capital assets (i.e. buildings and equipment). The Neptune Township Fire District No. 2 uses these assets to provide fire-fighting services to the citizens of the Neptune Township Fire District No. 2 consequently these assets are not available for future spending. Although the Neptune 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 if any, must be provided from sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Statement of Net Assets**

NEPTUNE TOWNSHIP FIRE DISTRICT NO. 2  
NET ASSETS  
DECEMBER 31, 2010

CURRENT AND OTHER ASSETS	\$372,557.67
CAPITAL ASSETS	<u>128,287.16</u>
 TOTAL ASSETS	 <u>\$500,844.83</u>
 LONG-TERM LIABILITIES OUTSTANDING	 \$ 66,078.96
OTHER LIABILITIES	<u>37,987.84</u>
 TOTAL LIABILITIES	 <u>\$104,066.80</u>
 NET ASSETS	 \$396,778.03
 ANALYSIS OF NET ASSETS	
INVESTED IN CAPITAL ASSETS NET OF RELATED DEBT	\$ 128,287.16
RESTRICTED	\$ 75,000.00
UNRESTRICTED	<u>\$193,490.87</u>
 TOTAL NET ASSETS	 \$396,778.03

For the 2010-year, capital assets are reported net of accumulated depreciation that as of December 31, 2010 was \$128,287.16.

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

Expenses	
Operating Expenses	
Administration	\$100,631.52
Cost of Operations and Maintenance	\$488,027.22
Operating Appropriations Offset With Revenues	\$ 14,500.00
 Total Program Expenses	 \$603,158.74

## Program Revenues

Charges for Services	\$ 15,562.84
Operating Grants	\$ 5,628.30
Net Program Expenses	\$581,967.60

## General Revenues

### Taxes:

Property Taxes, Levied for General Purposes	\$621,699.00
Unrestricted Investment Earnings	\$ 372.64
Miscellaneous Income	\$ 81.09

Total General Revenues \$622,152.73

Increase in Net Assets \$ 40,185.13

Net Assets, January 1 \$356,592.90

Net Assets, December 31 \$396,778.03

Property taxes constituted 97% of revenues for government activities for the Fire District for the year 2010.

Cost of Operations and Maintenance comprises 81% of fire district expenses, with administration comprising 17%.

### **Financial Analysis of the Government Funds**

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

**Governmental Fund.** The focus of the Neptune 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 Neptune 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 Neptune Township Fire District No. 2's governmental funds reported combined ending fund balances of \$340,332.53, an increase of \$64,434.15 in comparison with the prior year. The increase is attributable predominantly to the expenditure of no required funds for capital lease obligations in the budget for 2010 in combination with the current year designation of the reserve for future capital outlays.

The general fund is the main operating fund of the Neptune Township Fire District No 2.

Of the combined ending fund balance of \$340,332.53, unreserved fund balance constituted \$265,332.53 and reserved fund balance constituted \$75,000.00. Of the unreserved fund balance, \$110,000.00 has been utilized in the 2011 budget for Neptune Township Fire District No. 2.

The fund balance of the Neptune Township Fire District No. 2's general fund increased by \$64,434.15 during the current year.

The capital projects fund had a fund balance \$75,000.00 at the end of the current year. There was an increase in the amount of \$75,000.00 during the current year. This increase represents a capital appropriation transfer from the general fund.

### **General Fund Budgetary Highlights**

During the course of the 2010-year the Neptune Township Fire District No. 2 modified its general fund budget in conformance with statute.

The key items of variance from the original budget are indicated above.

The final budgetary basis revenue estimate was \$636,699.00. The original budgetary estimate was the same.

During the year 2010, the Neptune Township Fire District No. 2 budgeted \$621,699.00 for property taxes (local tax levy) and \$7,075.00 for state aid revenues (supplemental fire services grant). Fire Safety Act Revenue was budgeted for \$14,500.00. Neptune Township Fire District No. 2 received fire safety act revenues in the amount of \$15,562.84.

The final budgetary basis expenditures appropriation estimate was \$716,699.00. The original budgetary estimate was the same.

The final budgetary basis expenditures appropriation estimate exceeds the final budgetary basis revenue in the amount of \$80,000.00. This is attributable to the use of a portion of spendable fund balance from December 31, 2009 to fund the legally adopted budget for 2010.

### **Capital Assets and Debt Administration**

Capital Assets. The Neptune Township Fire District No. 2's investment in capital assets for its governmental activities as of December 31, 2010 amounts to \$128,287.16 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, apparatus and equipment, and vehicles. Neptune Township Fire District No. 2 did not acquire or retire any capital assets during 2010.

At the end of 2010 the Neptune Township Fire District No. 2 had \$3,128,257.44 invested in buildings and improvements, apparatus and equipment, and vehicles. The accumulated depreciation on these items was \$2,999,970.28.

NEPTUNE TOWNSHIP FIRE DISTRICT NO. 2  
CAPITAL ASSETS  
(NET OF ACCUMULATED DEPRECIATION)  
DECEMBER 31, 2010

BUILDINGS AND IMPROVEMENTS	\$111,652.83
APPARATUS AND EQUIPMENT	\$ .00
VEHICLES	\$ 16,634.33
 TOTAL CAPITAL ASSETS	 \$128,287.16

Additional information on the Neptune Township Fire District No. 2's capital assets can be found in note 5 in the notes to financial statements.

**Long-Term Obligations**

For the 2010 year, the Neptune Township Fire District No. 2 had no bonded debt. As of January 1, 2010 the Neptune Township Fire District No. 2 did not have any obligations under capital lease agreements since the final capital lease obligation was paid in full with applicable interest during 2009. Additional information on the Neptune Township Fire District No. 2's long-term obligations can be found in note 6 in the notes to financial statements.

The Neptune Fire District No. 2 was obligated for compensated absences pertaining to unused sick time in the amount of \$71,841.66.

**Economic Factors and Next Years Budget**

For the 2010 year the Neptune Township Fire District No. 2 was able to sustain its budget through the district tax levy and other sources of revenue. Approximately 97 per cent of total revenue is from the local tax levy, while the remaining 3% is from other sources.

The Board of Fire Commissioners adopted the 2011 budget January 13, 2011 and the voters subsequently approved the budget at the annual fire district election held on February 19, 2011.

**Request for Information**

This financial report is designed to provide a general overview of the Neptune Township Fire District No. 2's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Richard J. Cuttrell, Financial Officer at Ocean Grove Board of Fire Commissioners, 50 Olin Street, Ocean Grove, New Jersey 07756.

**BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS**

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 2**  
Statement of Net Assets  
December 31, 2010

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**ASSETS:**

Cash and Cash Equivalents	\$297,557.67
Restricted Assets:	
Restricted Cash and Cash Equivalents	75,000.00
Capital Assets, net (Note 5)	<u>128,287.16</u>
Total Assets	<u>500,844.83</u>

**LIABILITIES:**

Accounts Payable	31,917.85
Noncurrent Liabilities (Note 6):	
Due within One Year	5,762.70
Due beyond One Year	66,078.96
Reserve for Pension Plan	<u>307.29</u>
Total Liabilities	<u>104,066.80</u>

**NET ASSETS:**

Invested in Capital Assets, Net of Related Debt	128,287.16
Restricted for:	
Capital Projects	75,000.00
Unrestricted	<u>193,490.87</u>
Total Net Assets	<u>\$396,778.03</u>

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

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 2**  
Statement of Activities  
For the Year Ended December 31, 2010

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Expenses:	
Operating Appropriations:	
Administration	\$100,631.52
Cost of Operations and Maintenance	488,027.22
Operating Appropriations Offset with Revenues	<u>14,500.00</u>
Total Program Expenses	<u>603,158.74</u>
Program Revenues:	
Charges for Services	15,562.84
Operating Grants	<u>5,628.30</u>
Net Program Expenses	<u>581,967.60</u>
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	621,699.00
Unrestricted Investment Earnings	372.64
Miscellaneous Income	<u>81.09</u>
Total General Revenues	<u>622,152.73</u>
Increase in Net Assets	40,185.13
Net Assets, January 1 (Note 14)	<u>356,592.90</u>
Net Assets, December 31	<u>\$396,778.03</u>

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

**FUND FINANCIAL STATEMENTS**

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 2

Balance Sheet  
 Governmental Funds  
 December 31, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	<u>297,557.67</u>	<u>.00</u>	<u>75,000.00</u>	<u>.00</u>	<u>372,557.67</u>
Total Assets	<u>297,557.67</u>	<u>.00</u>	<u>75,000.00</u>	<u>.00</u>	<u>372,557.67</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	31,917.85	.00	.00	.00	31,917.85
Reserve for Pension Plan	<u>307.29</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>	<u>307.29</u>
Total Liabilities	<u>32,225.14</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>	<u>32,225.14</u>
Fund Balances:					
Reserve for:					
Future Capital Outlays	.00	.00	75,000.00	.00	75,000.00
Unreserved:					
Designated for:					
Subsequent Year's Expenditures	110,000.00	.00	.00	.00	110,000.00
Undesignated, Reported in:					
General Fund	<u>155,332.53</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>	<u>155,332.53</u>
Total Fund Balances	<u>265,332.53</u>	<u>.00</u>	<u>75,000.00</u>	<u>.00</u>	<u>340,332.53</u>
Total Liabilities and Fund Balances	<u>\$297,557.67</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>

(Continued)

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 2

Balance Sheet  
 Governmental Funds  
 December 31, 2010

Total  
 Governmental  
Funds

Amounts reported for governmental activities 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 the assets is \$3,128,257.44, and the accumulated depreciation is \$2,999,970.28.

Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Net assets of governmental activities

128,287.16  
(71,841.66)  
\$396,778.03

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

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

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds

For the Year Ended December 31, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES:</b>					
Miscellaneous Anticipated Revenues	372.64	.00	.00	.00	372.64
Operating Grant Revenue	.00	5,628.30	.00	.00	5,628.30
Miscellaneous Revenues Offset with Appropriations	15,562.84	.00	.00	.00	15,562.84
Amount to be Raised by Taxation to Support the District Budget	621,699.00	.00	.00	.00	621,699.00
Non-Budgetary Revenues	<u>81.09</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>	<u>81.09</u>
Total Revenues	<u>\$637,715.57</u>	<u>5,628.30</u>	<u>.00</u>	<u>.00</u>	<u>643,343.87</u>
<b>EXPENDITURES:</b>					
Operating Appropriations:					
Administration	100,631.52	.00	.00	.00	100,631.52
Cost of Operations and Maintenance	458,149.90	5,628.30	.00	.00	463,778.20
Operating Appropriations Offset with Revenues	14,500.00	.00	.00	.00	14,500.00
Capital Appropriations	<u>75,000.00</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>	<u>75,000.00</u>
Total Expenditures	<u>\$648,281.42</u>	<u>5,628.30</u>	<u>.00</u>	<u>.00</u>	<u>653,909.72</u>
Excess (Deficiency) of Revenue over Expenditures	<u>\$ (10,565.85)</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>	<u>(10,565.85)</u>

(Continued)

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

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds

For the Year Ended December 31, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
OTHER FINANCING SOURCES (USES):					
Capital Appropriation Transfer from General Fund	.00	.00	75,000.00	.00	75,000.00
Total Other Financing Sources and Uses	.00	.00	75,000.00	.00	75,000.00
Net Change in Fund Balances	(10,565.85)	.00	75,000.00	.00	64,434.15
Fund Balance, January 1	275,898.38	.00	.00	.00	275,898.38
Fund Balance, December 31	<u>\$265,332.53</u>	<u>.00</u>	<u>75,000.00</u>	<u>.00</u>	<u>340,332.53</u>

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

**TOWNSHIP OF NEPTUNE 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, 2010**

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Total Net Change in Fund Balance - Governmental Funds	64,434.15
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Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, 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	(16,752.56)
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In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+). (7,496.46)

Change in Net Assets of Governmental Activities	<u>\$40,185.13</u>
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The accompanying Notes to Financial Statements are an integral part of this statement.

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

Statement of Fiduciary Net Assets

Fiduciary Funds

December 31, 2010

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	<u>Unemployment Compensation Trust</u>
ASSETS:	
Cash and Cash Equivalents	<u>23,616.22</u>
Total Assets	<u><u>23,616.22</u></u>
NET ASSETS:	
Held in Trust for Unemployment Claims and Other Purposes	<u>23,616.22</u>
Total Net Assets	<u><u>\$23,616.22</u></u>

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

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 2**  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended December 31, 2010

	<u>Unemployment Compensation Trust</u>
<b>ADDITIONS:</b>	
Investment Earnings:	
Interest	
Net Investment Earnings	88.74
Unemployment Deductions - 2010 Payroll	<u>782.41</u>
Total Additions	<u>871.15</u>
<b>DEDUCTIONS:</b>	
Total Deductions	<u>.00</u>
Change in Net Assets	871.15
Net Assets, January 1	<u>22,745.07</u>
Net Assets, December 31	<u>\$23,616.22</u>

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Basis of Presentation (Cont'd)**

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

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

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

**Special Revenue Fund** - The Special Revenue Fund is used to account for the proceeds of specific revenues sources, such as state or federal government grants and appropriations, which are legally restricted to expenditures for specified purposes.

**Capital Projects 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, which must be authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

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

Additionally, the District reports the following fund type:

**Fiduciary Funds** - Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Unemployment Compensation Insurance Trust Fund.

**Measurement Focus**

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

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

**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 (ie., revenues and other financing sources) and uses (ie., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the district-wide financial statements are prepared.

**Basis of Accounting** - Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for government funds. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Non-exchange transactions, in which the Fire District receives value without directly giving equal value in return, include Ad Valorem (property) taxes, grants, entitlements, and donations. Ad Valorem (Property) Taxes are susceptible to accrual, as under New Jersey State Statute, a municipality is required to remit to its Fire District the entire balance of taxes in the amount voted upon or certified, prior to the end of the fire district year. The Fire District records the entire approved tax levy as revenue (accrued) at the start of the year since the revenue is both measurable and available. The Fire District is entitled to receive monies under the following established payment schedule: on or before April 1, an amount equaling 21.25% of all monies assessed; on or before July 1, an amount equaling 22.5% of all monies assessed; on or before October 1, an amount equaling 25% of all monies assessed; and on or before December 31, an amount equaling the difference between the total of all monies so assessed and the total amount of monies previously paid over. In an effort to facilitate cash flow to the Fire District, Fire District taxes are paid by the municipality and received by the district on a monthly basis, with a monthly adjustment in taxes determined upon adoption of the annual Fire District Budget. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Fire District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Fire District on a reimbursement basis.

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

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

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

**Budget / Budgetary Control** - The Fire District must adopt an annual budget in accordance with N.J.S.A. 40A:14-78.1 et al. The fire commissioners must introduce and approve the annual budget not later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the Fire District. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the fire commissioners may, by majority vote, adopt the budget.

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

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

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

Exhibit - C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the General Fund Budgetary Comparison Schedule and the Special Revenue Fund Budgetary Comparison Schedule to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds. Note that the Fire District does not report encumbrances outstanding at year-end as expenditures in the general fund since the general fund budget follows modified accrual basis of accounting.

**Encumbrances** - Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as reservations of fund balances at year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the Fire District has received advances are reflected in the balance sheet as deferred revenues at year-end.

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

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

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

New Jersey governments are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 40A:5-15.1 provides a list of permissible investments that may be purchased by New Jersey governments. At December 31, 2010, the Fire District carried no investment balances.

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

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

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

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

Inventories recorded on the district-wide financial statements are recorded as expenditures when consumed rather than when purchased. As of December 31, 2010, no inventories exist.

Prepaid expenses recorded in the governmental fund types, which benefit future periods, are recorded as an expenditure during the year of purchase. Prepaid expenses recorded on the district-wide financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2010.

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

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

**Capital Assets** - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide Statement of Net Assets but are not reported in the fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Fire District maintains a capitalization threshold of \$5,000.00. The Fire District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	30 Years
Apparatus and Equipment	5-10 Years
Vehicles	5 Years

N.J.S.A. 40A:14-84 governs the procedures for the acquisition of property and equipment for Fire Districts, and N.J.S.A. 40:14-85 to 87 governs procedures for the issuance of any debt related to such purchases. In summary, Fire Districts may purchase fire fighting apparatus and equipment and land and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000.00 or 2 percent of the assessed valuation of property, whichever is larger.

**Compensated Absences** - Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Fire District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Fire District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The entire compensated absence liability is reported on the district-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid with expendable available financial resources.

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

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

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

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

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

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

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

**NOTE 2: CASH AND CASH EQUIVALENTS**

The Fire District is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2010, and reported at fair value, as follows.

<u>Type</u>	<u>Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
<b>Deposits:</b>			
Demand deposits			449,230.60
<b>Investments:</b>			
	N/A	N/A	.00
<b>Total deposits and investments</b>			<u>\$449,230.60</u>
<b>Reconciliation of Statement of Net Assets</b>			
Current:			
Cash and cash equivalents			449,230.60
Investments			.00
			<u>\$449,230.60</u>

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)**

**Custodial Credit Risk** - Deposits in financial institutions, reported as components of cash, cash equivalents, and investments had a bank balance of \$449,230.60 at December 31, 2010. The bank balance of \$449,230.60 was fully insured by depository insurance as required by New Jersey statutes.

**Interest Rate Risk** - The Fire District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at December 31, 2010 are provided in the above schedule.

**Credit Risk** - The Fire District has no investment policy that limits its investment choices other than the limitation of state law as follows:

- a. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal Land Bank, Federal National Mortgage Associates or of any United States Bank for Cooperatives which have a maturity date not greater than 12 months from the date of purchase;
- c. Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located; or
- d. Bonds or other obligations, having a maturity date not more than 12 months from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units.

**Concentration of Credit Risk** - The Fire District places no limit on the amount it may invest in any one issuer. At December 31, 2010, the Fire District carried no investment balances.

**NOTE 3: PROPERTY TAX LEVIES**

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

<u>Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Tax Rates</u>
2010	\$737,457,435.00	621,699.00	.085
2009	735,956,645.00	621,310.00	.085
2008	729,558,160.00	621,028.00	.086
2007	729,558,160.00	635,397.00	.088
2006	726,988,794.00	634,529.02	.088

**NOTE 4: RECEIVABLES**

Receivables as of year-end for the Fire District's individual major funds, in the aggregate, are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Receivables:					
Other	\$ <u>.00</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>

**NOTE 5: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2010 was as follows:

	<u>Balance</u> <u>Jan. 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>Dec. 31, 2010</u>
Buildings and Improvements	1,261,596.00	.00	.00	1,261,596.00
Apparatus and Equipment	1,779,815.00	.00	.00	1,779,815.00
Vehicles	<u>86,846.44</u>	<u>.00</u>	<u>.00</u>	<u>86,846.44</u>
Total Capital Assets being Depreciated	<u>3,128,257.44</u>	<u>.00</u>	<u>.00</u>	<u>3,128,257.44</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(1,144,030.30)	(5,912.87)	.00	(1,149,943.17)
Apparatus and Equipment	(1,779,815.00)	.00	.00	(1,779,815.00)
Vehicles	<u>(59,372.42)</u>	<u>(10,839.69)</u>	<u>.00</u>	<u>(70,212.11)</u>
Total Accumulated Depreciation	<u>(2,983,217.72)</u>	<u>(16,752.56)</u>	<u>.00</u>	<u>(2,999,970.28)</u>
Total Capital Assets being Depreciated net of Accumulated Depreciation	<u>145,039.72</u>	<u>(16,752.56)</u>	<u>.00</u>	<u>128,287.16</u>
Capital Assets, net	<u>\$ 145,039.72</u>	<u>(16,752.56)</u>	<u>.00</u>	<u>128,287.16</u>

\*Depreciation expense was charged to governmental functions as follows:

Cost of Operations and Maintenance	<u>16,752.56</u>
Total Depreciation Expense	<u>\$16,752.56</u>

**NOTE 6: LONG-TERM OBLIGATIONS**

During the year ended December 31, 2010, the following changes occurred in long-term obligations:

	<u>Principal</u> <u>Outstanding</u> <u>Jan. 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Principal</u> <u>Outstanding</u> <u>Dec. 31, 2010</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Compensated Absences	<u>64,345.20</u>	<u>7,496.46</u>	<u>.00</u>	<u>71,841.66</u>	<u>5,762.70</u>
Total Governmental Activities Long-Term Liabilities	<u>\$64,345.20</u>	<u>7,496.46</u>	<u>.00</u>	<u>71,841.66</u>	<u>5,762.70</u>

**Bonds Authorized But Not Issued** - As of December 31, 2010, the Fire District had no authorized but not issued bonds.

**Compensated Absences**- Compensated absences will be paid from the fund from which the employee's salaries are paid.

**NOTE 7: LEASES**

**Lease Obligations** - At December 31, 2010, the Fire District had lease agreements in effect for the following:

Capital:

None

Operating:

None

**NOTE 8: PENSION PLANS**

The Fire District contributes to two cost-sharing multiple-employer defined benefit pension plans, the Public Employees' Retirement System and the Police and Firemen's Retirement System, which are administered by the New Jersey Division of Pensions and Benefits. These plans provide retirement, death and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B for PERS and N.J.S.A. 43:16A and 43:3B for the PFRS. Each plan has a Board of Trustees that is primarily responsible for its administration.

The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey  
 Division of Pensions and Benefits  
 P.O. Box 295  
 Trenton, New Jersey 08625-0295

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System ("PERS") are required to contribute 5% of their annual covered salary. However, Chapter 115, P.L. 1997 provides for a reduction in this rate of 4.5% for calendar years 1998 and 1999. Chapter 415, P.L. 1999 provides for a reduction in this rate to 3% for calendar years 2000 and 2001 and for a contribution rate reduction of up to 2% of compensation in future calendar years if the State Treasurer determines that excess valuation assets will be used to reduce the normal contributions made to the system by the State and local employers in a fiscal year beginning immediately prior to a calendar year. Under this provision of the statute, the contribution rate for calendar years 2002 and 2003 has been established at 3%. For calendar year 2004, the Public Employees' Retirement System member contribution rate will remain at a rate of 3%. Effective January 1, 2005, the member contribution rate for local employees in the PERS will return to the normal rate of 5%. Chapter 103, P.L. 2007, effective June 28, 2007 provides for several changes in PERS. Some provisions of Chapter 103 apply to all members of the PERS while certain provisions affect only new employees. The employee pension contribution rate for members of the PERS will increase from 5% to 5.5% of salary. The implementation of this increase occurs in two phases. The second phase applies to employers of counties, municipalities, and other local employers not included in phase one.

**NOTE 8: PENSION PLANS (CONT'D)**

This increase is effective on July 1, 2008 for new employees of these employer groups who are enrolled in the PERS on or after July 1, 2008. In accordance with Chapter 204, P.L. 1989, plan members enrolled in the Police and Firemen's Retirement System ("PFRS") are required to contribute 8.5% of their annual covered salary. The Fire District is billed annually for its normal contribution plus any accrued liability.

The Fire District's contributions to the various plans, equal to the required contributions, were as follows:

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>
2010	2,388.00	22,819.00
2009	2,061.00	21,066.00
2008	1,395.20	19,748.00
2007	9,140.40	12,677.60
2006	8,434.60	6,773.40

**NOTE 9: POST-EMPLOYMENT BENEFITS**

**Plan Description:** The Township of Neptune Fire District No. 2 contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employees must adopt a resolution to participate in the SHBP. In 1975, the Township of Neptune Fire District No. 2 authorized participation in the SHBP's post-retirement benefit program through Resolution dated October 9, 1975. Full-time employees that meet the requirements of retirement eligibility as promulgated by the Police and Firemen's Retirement System ("PFRS") or the Public Employees' Retirement System ("PERS") are eligible for health and prescription coverage upon retirement for the retiree and eligible family members.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at [www.state.nj.us/treasury/pensions/gasb-43-sept2009.pdf](http://www.state.nj.us/treasury/pensions/gasb-43-sept2009.pdf).

**Funding Policy:** Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

**NOTE 9: POST-EMPLOYMENT BENEFITS**

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Township of Neptune Fire District No. 2 on a monthly basis. The funding is raised through a line item in the District's annual budget and includes full payment of health and prescription coverage.

The Township of Neptune Fire District No. 2's contributions to SHBP for the years ended December 31, 2010, 2009, and 2008 were \$5,038.56 and \$4,683.42 respectively, which equaled the required contributions for each year. There were one, one and one retired participant eligible at December 31, 2010, 2009, and 2008 respectively.

**NOTE 10: RISK MANAGEMENT**

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

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

**New Jersey Unemployment Compensation Insurance** - The Fire District covers its employees under the New Jersey Unemployment Trust Fund by the "contributions" method. Under this method, a contribution rate is established annually for the Fire District share of unemployment tax. This rate is based on cost experience for all government employers.

**NOTE 11: DEFERRED COMPENSATION**

The Fire District offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until terminations, retirement, death, or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Fire District or its creditors. Since the Fire District does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Fire District's financial statements.

**NOTE 12: COMPENSATED ABSENCES**

The Fire District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Fire District employees are entitled to fifteen paid sick leave days per year. Unused sick leave may be accumulated and carried forward to the subsequent years. Employees are entitled to four personal days which may not be carried forward to subsequent years. Vacation days not used during the year may not be accumulated and carried forward.

The Fire District compensates employees for unused sick leave, vacation, and compensatory time upon termination or retirement. Payment will be made based on the employee's rate of pay at the time of termination or retirement.

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. As of December 31, 2010, the liability for compensated absences in the governmental fund types was \$71,841.66.

**NOTE 13: INTERFUND RECEIVABLES AND PAYABLES**

As of December 31, 2010, no interfund receivables or payables existed.

**NOTE 14: FUND BALANCES**

**RESERVED**

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. As of December 31, 2010, there is a reservation of fund balance designated as a reserve for future capital outlays in the amount of \$75,000.00.

**UNRESERVED**

Of the \$275,332.53 unreserved fund balance at December 31, 2010, \$110,000.00 has been designated for subsequent year's expenditures.

**NOTE 15: LITIGATION**

There are no pending or threatened litigation or unasserted claims or assessments against the Fire District for the year ended December 31, 2010, through the date of the independent auditor's report.

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

**BUDGETARY COMPARISON SCHEDULES**

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

Budgetary Comparison Schedule

General Fund

For the Year Ended December 31, 2010

	Original Budget	Budget Transfers	Budget Modifications/ Final Budget	Actual	Variance Positive (Negative) Final to Actual
<b>REVENUES:</b>					
Miscellaneous Anticipated Revenues:					
Interest on Investments and Deposits	500.00	.00	500.00	372.64	(127.36)
Total Miscellaneous Anticipated Revenues	500.00	.00	500.00	372.64	(127.36)
Miscellaneous Revenues Offset with Appropriations:					
Uniform Fire Safety Act (P.L. 1983, Ch. 383):					
Annual Registration Fees	10,000.00	.00	10,000.00	15,562.84	5,562.84
Penalties and Fines	4,500.00	.00	4,500.00	.00	(4,500.00)
Total Miscellaneous Revenues Offset with Appropriations	14,500.00	.00	14,500.00	15,562.84	1,062.84
Amount to be Raised by Taxation to Support the District Budget	621,699.00	.00	621,699.00	621,699.00	.00
Total Anticipated Revenues	621,699.00	.00	621,699.00	621,699.00	.00
Non-Budgetary Revenues:					
Other Income	.00	.00	.00	81.09	81.09
Total Non-Budgetary Revenues	.00	.00	.00	81.09	81.09
Total Revenues	636,699.00	.00	636,699.00	637,715.57	1,016.57

(Continued)

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

Budgetary Comparison Schedule

General Fund

For the Year Ended December 31, 2010

	Budget		Final Budget	Actual	Variance Positive (Negative) Final to Actual
	Original Budget	Modifications/ Transfers			
Operating Appropriations:					
Administration:					
Salary and Wages	35,480.00	1,000.00	36,480.00	35,551.58	928.42
Fringe Benefits	46,388.00	.00	46,388.00	37,108.03	9,279.97
Other Expenses:					
Election	1,500.00	.00	1,500.00	679.50	820.50
Office Expenses	7,000.00	.00	7,000.00	6,235.87	764.13
Professional Services	22,000.00	.00	22,000.00	21,056.54	943.46
Total Administration	<u>112,368.00</u>	<u>1,000.00</u>	<u>113,368.00</u>	<u>100,631.52</u>	<u>12,736.48</u>
Cost of Operations and Maintenance:					
Salary and Wages	91,023.00	18,600.00	109,623.00	108,451.45	1,171.55
Fringe Benefits	65,383.00	.00	65,383.00	50,932.83	14,450.17
Other Expenses:					
Advertising	1,500.00	.00	1,500.00	667.24	832.76
Insurance	80,000.00	.00	80,000.00	74,183.50	5,816.50
Maintenance and Repair	120,000.00	(30,400.00)	89,600.00	68,779.76	20,820.24

(Continued)

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

Budgetary Comparison Schedule

General Fund

For the Year Ended December 31, 2010

	Original <u>Budget</u>	Budget Modifications/ <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
<b>EXPENDITURES (CONT'D):</b>					
Operating Appropriations (Cont'd):					
Cost of Operation and Maintenance (Cont'd):					
Other Expenses (Cont'd):					
Memberships and Dues	3,000.00	.00	3,000.00	724.00	2,276.00
Supplies Expenses	47,925.00	.00	47,925.00	45,132.51	2,792.49
Training and Education	3,000.00	.00	3,000.00	2,288.21	711.79
Travel Expenses/Conferences	3,000.00	.00	3,000.00	640.40	2,359.60
Utilities	30,000.00	7,000.00	37,000.00	36,950.17	49.83
Hydrant Rental	35,000.00	.00	35,000.00	34,633.20	366.80
Alarm and Communications	24,000.00	.00	24,000.00	20,041.61	3,958.39
New Equipment	.00	.00	.00	.00	.00
Uniform Fire Safety - Other Expenses	<u>11,000.00</u>	<u>3,800.00</u>	<u>14,800.00</u>	<u>14,725.02</u>	<u>74.98</u>
Total Cost of Operations and Maintenance	<u>514,831.00</u>	<u>(1,000.00)</u>	<u>513,831.00</u>	<u>458,149.90</u>	<u>55,681.10</u>
Operating Appropriations Offset with Revenues:					
Uniform Fire Safety Act:					
Salary and Wages	14,500.00	.00	14,500.00	14,500.00	.00
Fringe Benefits	.00	.00	.00	.00	.00
Other Benefits	.00	.00	.00	.00	.00
Total Operating Appropriations Offset with Revenues	<u>14,500.00</u>	<u>.00</u>	<u>14,500.00</u>	<u>14,500.00</u>	<u>.00</u>
Capital Appropriations:					
Reserve for Future Capital Outlays	<u>75,000.00</u>	<u>.00</u>	<u>75,000.00</u>	<u>75,000.00</u>	<u>.00</u>
Total Expenditures	<u>716,699.00</u>	<u>.00</u>	<u>716,699.00</u>	<u>648,281.42</u>	<u>68,417.58</u>

(Continued)

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 2

Budgetary Comparison Schedule

General Fund

For the Year Ended December 31, 2010

	Original Budget		Budget Modifications/		Final Budget	Actual	Variance Positive (Negative) Final to Actual
	Budget	Transfers	Transfers	Final			
Excess (Deficiency) of Budget Revenues Over (Under) Budget Expenditures	<u>(80,000.00)</u>	<u>.00</u>	<u>(80,000.00)</u>	<u>(80,000.00)</u>	<u>(10,565.85)</u>	<u>69,434.15</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(80,000.00)</u>	<u>.00</u>	<u>(80,000.00)</u>	<u>(80,000.00)</u>	<u>(10,565.85)</u>	<u>69,434.15</u>	
Fund Balance, January 1					<u>275,898.38</u>		
Fund Balance, December 31					<u>265,332.53</u>		
Recapitulation:							
Unreserved Fund Balance					<u>265,332.53</u>		

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

Budgetary Comparison Schedule

Special Revenue Fund

For the Year Ended December 31, 2010

	Original Budget		Budget Modifications/ Transfers		Final Budget	Actual	Variance
	Budget	Budget	Transfers	Final Budget	Budget	Actual	Positive (Negative) Final to Actual
<b>REVENUES:</b>							
Operating Grant Revenue:							
Supplemental Fire Services Grant (P.L. 1985, Ch. 295)	<u>7,075.00</u>	<u>7,075.00</u>	<u>.00</u>	<u>7,075.00</u>	<u>7,075.00</u>	<u>5,628.30</u>	<u>(1,446.70)</u>
Total Revenues	<u>7,075.00</u>	<u>7,075.00</u>	<u>.00</u>	<u>7,075.00</u>	<u>7,075.00</u>	<u>5,628.30</u>	<u>(1,446.70)</u>
<b>EXPENDITURES:</b>							
Cost of Operations and Maintenance:							
Supplemental Fire Services Grant - Supplies	<u>7,075.00</u>	<u>7,075.00</u>	<u>.00</u>	<u>7,075.00</u>	<u>7,075.00</u>	<u>5,628.30</u>	<u>1,446.70</u>
Total Expenditures	<u>7,075.00</u>	<u>7,075.00</u>	<u>.00</u>	<u>7,075.00</u>	<u>7,075.00</u>	<u>5,628.30</u>	<u>1,446.70</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>.00</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>
Fund Balance, January 1						<u>.00</u>	
Fund Balance, December 31						<u>.00</u>	

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

## TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 2

Required Supplementary Information

Budgetary Comparison Schedule

Note to RSI

For the Year Ended December 31, 2010

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources / Inflows of Resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	637,715.57	5,628.30
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	<u>.00</u>	<u>.00</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	<u>\$637,715.57</u>	<u>5,628.30</u>
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" and "other financing uses" from budgetary comparison schedule	648,281.42	5,628.30
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	<u>.00</u>	<u>.00</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds. (B-2)	<u>\$648,281.42</u>	<u>5,628.30</u>

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**FIRE DISTRICT NO. 2**  
**TOWNSHIP OF NEPTUNE NEW JERSEY**  
Schedule of Findings and Recommendations  
For the Year Ended December 31, 2010

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**Schedule of Financial Statement Findings**

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

**Findings No. 10-1**

**Condition**

An encumbrance system is not being maintained resulting in appropriations not being reserved at the time when purchase orders are issued.

**Recommendation**

\*That an encumbrance system be maintained in conjunction with the maintenance of the general ledger in order to reserve appropriations at the time when purchase orders are issued.

\*Similar recommendation as prior year.

**FIRE DISTRICT NO. 2**  
**TOWNSHIP OF NEPTUNE, NEW JERSEY**  
Summary Schedule of Prior Year Audit Findings and Recommendations

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**Schedule of Financial Statement Findings**

This section identifies the status of prior year findings related to the general-purpose financial statements that are required to be reported in accordance with Government Auditing Standards.

**FINANCIAL STATEMENT FINDINGS**

**Condition**

An encumbrance system is not being maintained resulting in appropriations not being reserved at the time when purchase orders are issued.

**Recommendation**

That an encumbrance system be maintained in conjunction with the maintenance of the general ledger in order to reserve appropriations at the time when purchase orders are issued.

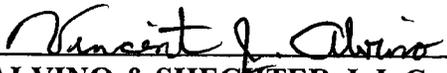
**Current Status**

Corrective action was not taken on the above finding which is repeated in this years schedule of findings and recommendations.

**APPRECIATION**

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

Respectfully submitted,

  
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ALVINO & SHEGHTER, L.L.C.  
Certified Public Accountants