

TOWNSHIP OF OCEAN FIRE DISTRICT NO. 1
COUNTY OF MONMOUTH
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2011

William E. Antonides and Company
CERTIFIED PUBLIC ACCOUNTANTS

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TOWNSHIP OF OCEAN FIRE DISTRICT NO.1
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Township of Ocean Fire District No. 1
Oakhurst, New Jersey

We have audited the accompanying financial statements of the Township of Ocean Fire District No. 1 (the "District"), in the County of Monmouth, State of New Jersey, as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that 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 financial position of the District as of December 31, 2011, and the respective changes in financial position, 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 a report dated August 24, 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 other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section and supporting schedules, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

William E. Antonides and Company

Independent Auditors

A handwritten signature in cursive script, appearing to read "William E. Antonides, Jr.", written in dark ink.

**William E. Antonides, Jr.
Certified Public Accountant**

August 24, 2012

Management's Discussion and Analysis

As management of the Ocean Township Fire District No. 1 (the "District"), we offer readers of the District financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the information furnished in the notes to the financial statements along with the financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities by \$2,707,898 and \$2,655,547 (net assets) at the years ended 2011 and 2010 respectively.
- As of the close of the current year, the District's governmental funds reported combined ending fund balances was \$904,270, a decrease of \$20,893 in comparison with the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$257,390, an approximate 22% increase from the prior year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District's financial statements are comprised of three components: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

District-wide Financial Statements

The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

The Statement of Net Assets presents information on all of the District'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 District is improving or deteriorating.

The Statement of Activities presents information showing how the District'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 the 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 District that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the District include fire-fighting and emergency medical services that are provided to the citizens of the District.

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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District constitute one fund type, governmental funds.

Governmental Funds

All of the District'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 District'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 District maintains three 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, and capital projects 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, the District 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.

Notes to 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 District, assets exceeded liabilities by \$2,707,898 and 2,655,547 at the year's end of 2011 and 2010 respectively.

The largest portion of the District's net assets at year end (67%) reflects its investment in capital assets (i.e. buildings and equipment). The District uses these assets to provide fire-fighting services to the citizens of the District; consequently these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Net Assets

The District's net assets at December 31 are as follow:

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>%</u>
Current and Other Assets	\$ 1,022,926	\$ 1,006,998	\$ 15,928	1.58
Capital Assets	<u>1,823,672</u>	<u>1,730,384</u>	<u>93,288</u>	5.39
Total Assets	<u>2,846,598</u>	<u>2,737,382</u>	<u>109,216</u>	
Other Liabilities	<u>138,700</u>	<u>81,835</u>	<u>56,865</u>	69.49
Net Assets	<u>\$ 2,707,898</u>	<u>\$ 2,655,547</u>	<u>\$ 52,351</u>	
Analysis of Net Assets				
Invested in Capital Assets				
Net of Related Debt	\$ 1,823,672	\$ 1,730,384	\$ 93,288	5.39
Restricted for Uniform Fire Safety Act	19,794	9,856	9,938	100.83
Restricted for Capital Projects	518,166	618,166	(100,000)	(16.18)
Unrestricted	<u>346,266</u>	<u>297,141</u>	<u>49,125</u>	16.53
Total Net Assets	<u>\$ 2,707,898</u>	<u>\$ 2,655,547</u>	<u>\$ 52,351</u>	

A portion of the District's net assets at year end (20%) represents resources that are subject to external restrictions on how they may be used.

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 in governmental activities are as follows:

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>%</u>
Program Expenses:				
Operating Expenses:				
Administration	\$ 457,468	\$ 464,514	\$ (7,046)	(1.52)
Cost of Operations and Maintenance	<u>998,234</u>	<u>942,730</u>	<u>55,504</u>	5.89
Total Program Expenses	<u>1,455,702</u>	<u>1,407,244</u>	<u>48,458</u>	
Program Revenues:				
Charges for Services	64,938	51,390	13,548	26.36
Operating Grants and Contributions	<u>6,101</u>	<u>6,101</u>	<u>0</u>	
Total Program Revenues	<u>71,039</u>	<u>57,491</u>	<u>13,548</u>	
Net Assets	<u>1,384,663</u>	<u>1,349,753</u>	<u>34,910</u>	

Governmental Activities (Continued)

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>%</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes	\$ 1,391,588	\$ 1,339,753	\$ 51,835	3.87
Unrestricted Investment Earnings	5,408	4,666	742	15.90
Miscellaneous Income	40,018	21,718	18,300	
Total General Revenues	<u>1,437,014</u>	<u>1,366,137</u>	<u>70,877</u>	
Change in Net Assets	52,351	16,384	<u>\$ 35,967</u>	
Net Assets, January 1	<u>2,655,547</u>	<u>2,639,163</u>		
Total Net Assets	<u>\$ 2,707,898</u>	<u>\$ 2,655,547</u>		

Property taxes constituted 92% and 94% of revenues for governmental activities for the District for the years ended 2011 and 2010.

Cost of operations and maintenance comprises 69% and 67% of fire district expenses, with administration comprising 31% and 33%, respectively, for the years ended 2011 and 2010.

Financial Analysis of the Governmental Funds

As stated earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund

The focus of the District’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’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 District’s governmental funds reported combined ending fund balances of \$904,270, a decrease of \$20,893 in comparison with the prior year.

Of the combined ending fund balances of \$904,270, unassigned fund balance constituted \$257,390. In addition, \$85,000 has been utilized in the 2012 District budget and \$23,920 has been assigned for year-end encumbrances. Of the remaining fund balance in the amount of \$537,960, \$518,166 is restricted because it is committed to planned future capital outlays that are subject to the approval of the voters of the District and \$19,794 is legally restricted for Uniform Fire Safety Act expenditures.

The general fund is the main operating fund of the District. At the end of the current year, unassigned fund balance of the general fund was \$257,390 while the total fund balance was \$366,310.

Governmental Fund (Continued)

The fund balance of the District's general fund increased by \$69,169 during the current year. Key factors are as follows:

- The District raised \$51,835 more in taxes in 2011.
- The District received \$18,300 more in miscellaneous revenue in 2011.
- The District spent \$37,161 less in administration in 2011.
- The District spent \$57,712 more in operations in 2011.

The capital projects fund had a fund balance of \$518,166 at the end of the current year, a decrease of \$100,000 when compared to the prior year, representing a decrease in the reserve for future capital outlays.

General Fund Budgetary Highlights

During the course of the year the District modified its general fund budget in conformance with the statute.

Capital Assets

The District's investment in capital assets for its governmental activities as of December 31, 2011 amounts to \$1,823,672 (net of accumulated depreciation). This investment in capital assets includes land, building and improvements, machinery and equipment, vehicles and office furniture and equipment.

At the end of 2011 the District had \$5,786,684 invested in capital assets. The accumulated depreciation of these items was \$3,963,012.

The District's capital assets (net of accumulated depreciation) at December 31, 2010 and 2009 respectively were as follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 108,249	\$ 108,249
Building and Improvements	1,013,020	815,989
Machinery and Equipment	83,598	133,146
Office Furniture and Equipment	25,457	11,337
Vehicles	<u>593,348</u>	<u>661,663</u>
Total Capital Assets	<u>\$ 1,823,672</u>	<u>\$ 1,730,384</u>

Additional information on the District's capital assets can be found in Note 1G in the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

For the 2011 year the District was able to sustain its budget through the district tax levy and other sources of revenue. Approximately 92% of total revenue is from the local tax levy, while the balance is from interest earned and miscellaneous sources.

The Board adopted the 2012 budget January 2, 2012 and the voters subsequently approved the budget at the annual fire district election held on February 18, 2012.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all of those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: J. David Hiers, Fire District Administrator, P.O. Box 173, Oakhurst, NJ 07755, (732) 229-8059.

TOWNSHIP OF OCEAN FIRE DISTRICT NO. 1

STATEMENT OF NET ASSETS

Exhibit A-1

DECEMBER 31, 2011

	<u>Governmental Activities</u>
Assets:	
Cash and Cash Equivalents	\$ 420,994.10
Receivables	3,000.00
Prepaid Expenses	20,731.85
Restricted Assets:	
Cash and Cash Equivalents	577,464.81
Receivables	735.00
Capital Assets, Net (Note 1)	<u>1,823,672.34</u>
Total Assets	<u>2,846,598.10</u>
Liabilities:	
Accounts Payable	97,923.80
Accrued Expenses	40,776.00
Total Liabilities	<u>138,699.80</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	1,823,672.34
Restricted for:	
Uniform Fire Safety Act	19,794.16
Capital Projects	518,165.95
Unrestricted	<u>346,265.85</u>
Total Net Assets	<u>\$ 2,707,898.30</u>

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

TOWNSHIP OF OCEAN FIRE DISTRICT NO. 1

STATEMENT OF ACTIVITIES

Exhibit A-2

FOR THE YEAR ENDED DECEMBER 31, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenues and Changes in Net Assets Governmental Activities</u>
Governmental Activities:			
Administration:			
Paid Positions	\$ 218,164.53	\$	\$ (218,164.53)
Fringe Benefits	157,001.65		(157,001.65)
Other Expenses	82,301.72		(82,301.72)
Operating:			
Paid Positions	116,187.60	63,937.73	(52,249.87)
Fringe Benefits	80,822.37		(80,822.37)
Other Expenses	624,732.15	1,000.00	(623,732.15)
Unallocated Depreciation	176,492.06		(176,492.06)
Total Governmental Activities	<u>1,455,702.08</u>	<u>64,937.73</u>	<u>(1,390,764.35)</u>
Total Primary Government	<u>\$ 1,455,702.08</u>	<u>\$ 64,937.73</u>	<u>\$ (1,390,764.35)</u>
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes			\$ 1,391,588.00
State Aid - Restricted			6,101.00
Investment Earnings			5,407.72
Miscellaneous Income			40,018.53
Total General Revenues			<u>1,443,115.25</u>
Change in Net Assets			52,350.90
Net Assets - January 1			<u>2,655,547.40</u>
Net Assets - December 31			<u>\$ 2,707,898.30</u>

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

TOWNSHIP OF OCEAN FIRE DISTRICT NO. 1

BALANCE SHEET

Exhibit B-1

GOVERNMENTAL FUNDS

Sheet 1 of 2

DECEMBER 31, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and Cash Equivalents	\$ 420,994.10	\$ 19,220.87	\$ 558,243.94	\$ 998,458.91
Other Receivables	3,000.00	735.00		3,735.00
Total Assets	<u>423,994.10</u>	<u>19,955.87</u>	<u>558,243.94</u>	<u>1,002,193.91</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	57,684.10	161.71	40,077.99	97,923.80
Total Liabilities	<u>57,684.10</u>	<u>161.71</u>	<u>40,077.99</u>	<u>97,923.80</u>
Fund Balances:				
Restricted:				
Legally Restricted-Uniform Fire Safety Act		18,294.16		18,294.16
Legally Restricted-Uniform Fire Safety Act - Designated for Subsequent Year's Expenditures		1,500.00		1,500.00
Future Capital Outlays			243,165.95	243,165.95
Future Capital Outlays - Designated for Subsequent Year's Expenditures			275,000.00	275,000.00
Assigned:				
Year-End Encumbrances	23,920.00			23,920.00
Designated for Subsequent Year's Expenditures	85,000.00			85,000.00
Unassigned	257,390.00			257,390.00
Total Fund Balances	<u>366,310.00</u>	<u>19,794.16</u>	<u>518,165.95</u>	<u>904,270.11</u>
Total Liabilities and Fund Balances	<u>\$ 423,994.10</u>	<u>\$ 19,955.87</u>	<u>\$ 558,243.94</u>	

TOWNSHIP OF OCEAN FIRE DISTRICT NO. 1

BALANCE SHEET

Exhibit B-1

GOVERNMENTAL FUNDS

Sheet 2 of 2

DECEMBER 31, 2011

Amounts reported for *governmental activities* in the Statement of Net Assets (A-1) are different because:

Certain assets (such as capital assets) are not reported in this fund financial statement because they are not current financial resources, but they are reported in the Statement of Net Assets.

\$ 1,823,672.34

Payments made to vendors for goods or services that will benefit periods beyond year-end that are recorded as expenditures at the time of payment in governmental funds.

20,731.85

In the Statement of Net Assets, certain expenses, e.g., compensated absences and professional fees are measured by the amounts earned during the year. In the governmental funds, expenditures for these items are reported when paid.

(40,776.00)

Net Assets of Governmental Activities

\$ 2,707,898.30

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

TOWNSHIP OF OCEAN FIRE DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES AND

Exhibit B-2

CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Local Sources:				
Local Tax Levy	\$ 1,241,588.00	\$	\$ 150,000.00	\$ 1,391,588.00
Interest Earned on Deposits	5,407.72			5,407.72
Local Fees:				
Annual Registration Fees		25,671.73		25,671.73
Smoke Detector and Permit Fees		38,940.00		38,940.00
Miscellaneous	40,018.53	326.00		40,344.53
Total - Local Sources	<u>1,287,014.25</u>	<u>64,937.73</u>	<u>150,000.00</u>	<u>1,501,951.98</u>
State Sources		6,101.00		6,101.00
Total Revenues	<u>1,287,014.25</u>	<u>71,038.73</u>	<u>150,000.00</u>	<u>1,508,052.98</u>
Expenditures:				
Administration:				
Paid Positions	193,549.65			193,549.65
Fringe Benefits	157,001.65			157,001.65
Other Expenses	68,801.72			68,801.72
Operating:				
Paid Positions	59,526.48	54,000.00		113,526.48
Fringe Benefits	92,409.39			92,409.39
Other Expenses	646,556.40	7,101.00		653,657.40
Capital Projects			250,000.00	250,000.00
Total Expenditures	<u>1,217,845.29</u>	<u>61,101.00</u>	<u>250,000.00</u>	<u>1,528,946.29</u>
Excess (Deficiency) of Revenues over Expenditures	<u>69,168.96</u>	<u>9,937.73</u>	<u>(100,000.00)</u>	<u>(20,893.31)</u>
Net Change in Fund Balances	69,168.96	9,937.73	(100,000.00)	(20,893.31)
Fund Balance - January 1	<u>297,141.04</u>	<u>9,856.43</u>	<u>618,165.95</u>	<u>925,163.42</u>
Fund Balance - December 31	<u>\$ 366,310.00</u>	<u>\$ 19,794.16</u>	<u>\$ 518,165.95</u>	<u>\$ 904,270.11</u>

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

TOWNSHIP OF OCEAN FIRE DISTRICT NO. 1
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, 2011

Exhibit B-3

Total Net Change in Fund Balances - Governmental Funds (from B-2)		\$ (20,893.31)
<p>Amounts reported for governmental activities in the Statement of Activities (A-2) are different because:</p> <p style="padding-left: 20px;">Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.</p>		
Depreciation Expense	\$ (176,492.05)	
Capital Outlays (net of disposed assets)	<u>269,780.41</u>	93,288.36
Payments made to vendors for goods or services that will benefit periods beyond year-end that are recorded as expenditures at the time of payment in governmental funds.		20,731.85
In the Statement of Activities, certain expenses, e.g., compensated absences and professional fees are measured by the amounts earned during the year. In the governmental funds, expenditures for these items are reported when paid.		<u>(40,776.00)</u>
Change in Net Assets of Governmental Activities (A-2)		<u><u>\$ 52,350.90</u></u>

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

TOWNSHIP OF OCEAN FIRE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of Ocean Fire District No. 1 (the "District") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are as described below:

A. Reporting Entity

The District is a public body politic and corporate of the County of Monmouth, State of New Jersey. The Board of Fire Commissioners (the "Board") are elected by the residents within the designated territorial area of the District for three year terms. Any vacancy on the Board is filled by the remaining Board members until the next succeeding election, at which time a resident of the District shall be elected for the unexpired term.

The Board consists of elected members and provides fire support to the Volunteers of Ocean Township Fire District No. 1. There is no financial relationship between the Volunteers and the Fire Commissioners.

The purpose of the District is to provide fire protection for the citizens of the District. The District serves approximately 20,000 individuals. The District employs four full-time employees and three part-time employees. The majority of the services are provided through volunteers. No value is attributed to the volunteer services in the accompanying financial statements.

B. Basis for Presentation and Accounting

District-wide Statements - The Statement of Net Assets and the Statement of Activity display information about the District. The District activities generally are financed through taxes and other nonexchange transactions. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes and user fees and are recorded in the year assessed. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

The statement of activities presents a comparison between direct expenses and program revenues for the activities of the District. Program revenues include user fees and charges paid by the property owners in the District.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis for Presentation and Accounting (Continued)

Fund Financial Statements - The fund financial statements provide information about the District's activities, all of which are reported in the General Fund. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, user fees, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds.

General Fund - This is the District's operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Special Revenue Fund - The District accounts for the proceeds of special revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes in the Special Revenue Fund.

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.

The accompanying financial statements of the District as of December 31, 2011 have been prepared in conformity with 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.

C. Budgets/Budgetary Control

The District must adopt an annual budget in accordance with N.J.S.A. 40A:14-78.1 et al.

The Board must introduce and approve the annual budget not later than sixty days prior to the annual election. At introduction, the Board 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 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 Board may, by majority vote, adopt the budget.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Budgets/Budgetary Control (Continued)

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

Amounts reported under "final budget" on Exhibit C-1 includes modifications to the adopted budget that were made during the year as approved by the Board.

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 - Government Funds.

D. 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 balance 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 District has received advances are reflected in the balance sheet as deferred revenues at year end.

E. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, are recorded as an expenditure during the year of purchase. The value of inventories remaining at the end of the fiscal year is not included on the balance sheet.

F. Allowance for Uncollectible Accounts

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

G. Capital Assets and Depreciation

The District has established a formal system of accounting for its capital assets. Purchased, constructed or contributed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The District does not possess any infrastructure. There is no capitalization threshold used by the District.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets and Depreciation (Continued)

All reported capital assets except for land are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

Buildings and Improvements	10 - 40
Vehicles	10 - 20
Furniture and Fixtures	5
Equipment	5 - 10

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the government fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Capital asset activity for the year ended December 31, 2011 was as follows:

	<u>Balance</u> <u>Jan. 1, 2011</u>	<u>Additions</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Governmental Activities:			
Land	\$ 108,249	\$	\$ 108,249
Buildings and Improvements	1,911,235	250,000	2,161,235
Machinery and Equipment	1,480,294		1,480,294
Office Furniture and Equipment	105,593	19,780	125,373
Vehicles	1,911,532		1,911,532
Total	<u>5,516,903</u>	<u>269,780</u>	<u>5,786,683</u>
Less Accumulated Depreciation:			
Buildings and Improvements	1,095,246	52,969	1,148,215
Machinery and Equipment	1,347,148	49,548	1,396,696
Office Furniture and Equipment	94,256	5,660	99,916
Vehicles	1,249,869	68,315	1,318,184
Total Accumulated Depreciation	<u>3,786,519</u>	<u>176,492</u>	<u>3,963,011</u>
Governmental Activities Capital Assets (Net)	<u>\$ 1,730,384</u>	<u>\$ 93,288</u>	<u>\$ 1,823,672</u>

NOTE 2. CASH AND CASH EQUIVALENTS

A. Deposits

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 by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

A. Deposits (Continued)

New Jersey statutes require public depositories 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 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.

At year-end, the carrying amount of the District's deposits was \$998,459 and the bank balance amount was \$1,041,352. Of this amount \$465,270 was covered by federal depository insurance and a collateral pool under New Jersey's Governmental Unit Deposit Protection Act covered the remaining \$576,082.

B. Investments

a. When authorized by a cash management plan approved pursuant to N.J.S. 40A:5-14, the District may use available funds for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the District:

- (1) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (2) Government money market mutual funds.
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
- (4) Bonds or other obligations of the District, or bonds or other obligations of school districts of which the District is a part or within which the school district is located.

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

- a. (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investments, New Jersey Department of the Treasury.
- (6) Municipal investment pools.
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c. 281; or
- (8) Agreements for the repurchase of fully collateralized securities, if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this section;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41);
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

b. Any investment instruments in which the security is not physically held by the District shall be covered by a third party custodial agreement, which shall provide for the designation of such investments in the name of the District and prevent unauthorized use of such investments.

c. Investments are further regulated and restricted in accordance with N.J.S. 40A:5-15.1.

Other than cash equivalents that would otherwise qualify as investments, except for their maturity or the withdrawal provisions of their deposit, the District had no investments in qualified securities at December 31, 2011.

C. Cash Management Plan

In accordance with N.J.S. 40A:5-14, the District shall adopt a cash management plan and shall deposit and invest its funds pursuant to that plan. The plan shall be approved annually by majority vote of the governing body and may be modified from time to time in order to reflect changes in federal or state law or regulations. The chief financial officer shall be charged with administering the plan.

When an investment in bonds maturing in more than one year is authorized, the maturity of those bonds shall approximate the prospective use of the funds invested.

The plan also requires a monthly report to the Board summarizing all investments made or redeemed since the previous report and shall include, at a minimum, the specific detailed information as set forth in the statute.

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

D. Credit Risk Categories

All bank deposits and investments as of the balance sheet date are classified as to credit risk by the following categories described below:

Depository Account

Insured:

FDIC	\$ 465,270
GUDPA	<u>576,082</u>

\$ 1,041,352

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a formal policy for custodial credit risk.

State law limits investments as noted above.

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

NOTE 3. FUND BALANCES APPROPRIATED

The fund balance at December 31, 2011 which was appropriated and included as anticipated revenue in the year ending December 31, 2012 was as follows:

General Fund:	
Assigned	\$ 85,000
Special Revenue Fund:	
Restricted	1,500
Capital Projects Fund:	
Restricted	275,000

NOTE 4. PENSION PLANS

The District contributes to a cost-sharing multiple-employer defined benefit pension plan, the Public Employees' Retirement System ("PERS"), which is administered by the New Jersey Division of Pensions and Benefits. This plan provides retirement, disability, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. The plan has a Board of Trustees that implements benefit provisions which are established and amended by State statute. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

NOTE 4. PENSION PLANS (CONTINUED)

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

The contribution requirements of plan members are determined by State statute. Plan members enrolled in the PERS are required to contribute 5.5% of their annual covered salary. Pursuant to Ch. 78, P.L. 2011 and effective October 1, 2011, the employee pension contribution rates were adjusted as follows:

- PERS members from 5.5% to 6.5% of their annual covered salary, with an additional increase to be phased in over the next 7 years bringing the total pension contribution rate to 7.5% of annual covered salary.

In addition, Cost of Living Adjustments (COLA) are suspended for all current and future retirees of all retirement systems. The District's contributions to the plan, equal to the required contributions for each year, were as follows:

<u>Year</u>	<u>PERS</u>
2011	\$ 37,870
2010	30,813
2009	22,741

NOTE 5. CONTINGENT LIABILITIES

It is the opinion of the District officials that there is no litigation threatened or pending that would materially affect the financial position of the District, therefore no provisions have been recorded in the accompanying financial statements for such contingencies.

Negligence and other types of liability suits of which the District is aware, appear to be within the stated policy limits and would be deferred by the respective carriers.

NOTE 6. PROPERTY TAX LEVIES

The 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 Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2011	\$ 2,878,248,748	\$ 1,391,588	\$.048
2010	3,150,852,746	1,339,753	.043
2009	3,135,052,946	1,281,995	.041
2008	3,116,663,107	1,223,170	.039
2007	3,094,224,166	1,184,000	.038

William E. Antonides and Company
CERTIFIED PUBLIC ACCOUNTANTS

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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
Township of Ocean Fire District No. 1
Oakhurst, New Jersey

We have audited the financial statements of the Township of Ocean Fire District No. 1 (the "District"), as of and for the year ended December 31, 2011, and have issued our report thereon dated August 24, 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

Management of the District is responsible for establishing and maintaining effective 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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.

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. 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 financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the District's management and the Board of Commissioners, others within the organization, and the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not intended to be and should not be used by anyone other than these specified parties.

William E. Antonides and Company
Independent Auditors

August 24, 2012

TOWNSHIP OF OCEAN FIRE DISTRICT NO. 1

GENERAL FUND

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE

Sheet 1 of 3

BUDGETARY BASIS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

	<u>Original Budget</u>	<u>Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 1,241,588.00	\$	\$ 1,241,588.00	\$ 1,241,588.00	\$
Interest Earned on Deposits	3,000.00		3,000.00	5,407.72	2,407.72
Miscellaneous	100.00		100.00	40,018.53	39,918.53
Total Local Sources	<u>1,244,688.00</u>		<u>1,244,688.00</u>	<u>1,287,014.25</u>	<u>42,326.25</u>
Total Revenues	<u>1,244,688.00</u>		<u>1,244,688.00</u>	<u>1,287,014.25</u>	<u>42,326.25</u>
Expenditures:					
Current Expense:					
Administration:					
Paid Positions	214,630.00	27,000.00	241,630.00	193,549.65	48,080.35
Fringe Benefits	141,575.00	1,800.00	143,375.00	157,001.65	(13,626.65)
Other Expenses:					
Elections	1,300.00		1,300.00	1,268.66	31.34
Insurance	2,810.00		2,810.00	2,810.00	2,810.00
Memberships, Dues and Subscriptions	2,100.00		2,100.00	1,211.89	888.11
Office Expenses	15,750.00		15,750.00	10,802.62	4,947.38
Professional Services	21,500.00	41,500.00	63,000.00	49,403.41	13,596.59
Travel Expenses	12,000.00	(610.00)	11,390.00	6,115.14	5,274.86
Total Administration	<u>411,665.00</u>	<u>69,690.00</u>	<u>481,355.00</u>	<u>419,353.02</u>	<u>62,001.98</u>
Operating:					
Paid Positions	60,480.00		64,680.00	59,526.48	5,153.52
Fringe Benefits	88,300.00	4,200.00	88,300.00	92,409.39	(4,109.39)
Other Expenses:					
Advertising	1,000.00		1,000.00	893.81	106.19
Insurance Premiums	45,000.00	(14,000.00)	31,000.00	37,685.20	(6,685.20)
Maintenance and Repair:					
Buildings	65,250.00		50,250.00	53,753.14	(3,503.14)
Equipment and Apparatus	73,600.00	(15,000.00)	57,600.00	63,101.95	(5,501.95)
Furniture, Fixtures and Office Equipment	2,750.00	(16,000.00)	2,750.00	1,428.05	1,321.95

TOWNSHIP OF OCEAN FIRE DISTRICT NO. 1

GENERAL FUND

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE

Sheet 2 of 3

BUDGETARY BASIS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

	<u>Original Budget</u>	<u>Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures (Continued):					
Current Expense (Continued):					
Operating (Continued):					
Other Expenses (Continued):					
Membership and Dues	\$ 1,000.00	\$ 2,100.00	\$ 3,100.00	\$ 3,068.04	\$ 31.96
District Doctor	2,280.00	2,200.00	4,480.00	4,480.00	
Fire Hydrant Rental	167,500.00	1,300.00	168,800.00	168,793.81	6.19
Materials and Supplies	37,050.00		37,050.00	35,692.98	1,357.02
Training and Education	10,000.00		10,000.00	8,596.20	1,403.80
Travel Expenses	18,500.00		18,500.00	16,121.85	2,378.15
Uniforms and Personal Equipment	26,315.00		26,315.00	21,813.71	4,501.29
Utilities	68,200.00		68,200.00	63,654.95	4,545.05
Permits, Licenses and Fees	600.00	10.00	610.00	657.99	(47.99)
Outside Services	30,260.00		30,260.00	27,982.24	2,277.76
Promotion	5,000.00		5,000.00	3,712.45	1,287.55
Reimbursement for Loss	25,000.00		25,000.00	20,466.00	4,534.00
Equipment	94,901.00	(34,500.00)	60,401.00	64,426.16	(4,025.16)
First Aid Squad Expenses	96,585.00		96,585.00	74,147.87	22,437.13
Total Operating	<u>919,571.00</u>	<u>(69,690.00)</u>	<u>849,881.00</u>	<u>822,412.27</u>	<u>27,468.73</u>
Total Current Expense	<u>1,331,236.00</u>		<u>1,331,236.00</u>	<u>1,241,765.29</u>	<u>89,470.71</u>
Total Expenditures	<u>1,331,236.00</u>		<u>1,331,236.00</u>	<u>1,241,765.29</u>	<u>89,470.71</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(86,548.00)		(86,548.00)	45,248.96	131,796.96
Fund Balances, January 1	297,141.04		297,141.04	297,141.04	
Fund Balances, December 31	<u>\$ 210,593.04</u>	<u>\$</u>	<u>\$ 210,593.04</u>	<u>\$ 342,390.00</u>	<u>\$ 131,796.96</u>

TOWNSHIP OF OCEAN FIRE DISTRICT NO. 1

GENERAL FUND

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE

Sheet 3 of 3

BUDGETARY BASIS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

	<u>Final Budget</u>	<u>Actual</u>
Recapitulation of Excess/(Deficiency) of Revenues under Expenditures:		
Budgeted Fund Balance	\$ <u>86,548.00</u>	
Explanation of Difference between Budgetary Expenditures and GAAP Expenditures (Exhibit B-2):		
Total Expenditures - Budgetary Basis (Exhibit C-1)		\$ 1,241,765.29
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies or equipment are received for <i>financial reporting</i> purposes.		
Current Year Encumbrances		<u>(23,920.00)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds (Exhibit B-2)		<u>\$ 1,217,845.29</u>

TOWNSHIP OF OCEAN FIRE DISTRICT NO. 1

SPECIAL REVENUE FUND

Exhibit C-2

BUDGETARY COMPARISON SCHEDULE

BUDGETARY BASIS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:				
State Aid	\$ 6,101.00	\$ 6,101.00	\$ 6,101.00	\$
Local Fees:				
Annual Registration Fees	14,000.00	14,000.00	25,671.73	11,671.73
Smoke Detector and Permit Fees	37,000.00	37,000.00	38,940.00	1,940.00
Penalties & Fines	2,500.00	2,500.00	326.00	(2,174.00)
Total Revenues	<u>59,601.00</u>	<u>59,601.00</u>	<u>71,038.73</u>	<u>11,437.73</u>
Expenditures:				
Current Expense:				
Operating:				
Fund Balances, January 1	<u>9,856.43</u>	<u>9,856.43</u>	<u>9,856.43</u>	
Fund Balances, December 31	<u>\$ 8,356.43</u>	<u>\$ 8,356.43</u>	<u>\$ 19,794.16</u>	<u>\$ 11,437.73</u>
Recapitulation of Excess/(Deficiency) of Revenues under Expenditures:				
Budgeted Fund Balance		<u>\$ 1,500.00</u>		

TOWNSHIP OF OCEAN FIRE DISTRICT NO. 1

SPECIAL REVENUE FUND

Exhibit C-3

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

	<u>Uniform Fire Safety Act</u>	<u>Supplemental Fire Services Program</u>	<u>Total</u>
Revenues:			
State Aid	\$	\$ 6,101.00	\$ 6,101.00
Local Fees:			
Annual Registration Fees	25,671.73		25,671.73
Smoke Detector and Permit Fees	38,940.00		38,940.00
Penalties and Fines	326.00		326.00
Total Revenues	<u>64,937.73</u>	<u>6,101.00</u>	<u>71,038.73</u>
Expenditures:			
Current Expense:			
Operating:			
Paid Positions	<u>54,000.00</u>		<u>54,000.00</u>
Fund Balances, December 31	<u>\$ 19,794.16</u>	<u>\$</u>	<u>\$ 19,794.16</u>

TOWNSHIP OF OCEAN FIRE DISTRICT NO. 1

CAPITAL PROJECTS FUND

Exhibit C-4

BUDGETARY COMPARISON SCHEDULE

BUDGETARY BASIS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues:			
Local Sources:			
Tax Levy	\$ 150,000.00	\$ 150,000.00	\$ 150,000.00
Total Revenues	<u>150,000.00</u>	<u>150,000.00</u>	<u>150,000.00</u>
Expenditures:			
Capital Improvements			
Roof - Station #1			
Fund Balances, January 1	<u>618,165.95</u>	<u>618,165.95</u>	<u>618,165.95</u>
Fund Balances, December 31	<u>\$ 518,165.95</u>	<u>\$ 518,165.95</u>	<u>\$ 518,165.95</u>
Recapitulation of Excess/(Deficiency) of Revenues under Expenditures:			
Increase in Capital Reserve		\$ 150,000.00	
Budgeted Fund Balance		<u>(250,000.00)</u>	
		<u>\$ (100,000.00)</u>	

TOWNSHIP OF OCEAN FIRE DISTRICT NO. 1

COUNTY OF MONMOUTH

AUDITOR'S MANAGEMENT REPORT

ON ADMINISTRATIVE FINDINGS

DECEMBER 31, 2011

William E. Antonides and Company
CERTIFIED PUBLIC ACCOUNTANTS

2807 Hurley Pond Road, Suite 200
P.O. Box 1137
Wall, NJ 07719

TOWNSHIP OF OCEAN FIRE DISTRICT NO. 1

AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS

FINANCIAL, COMPLIANCE AND PERFORMANCE

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William E. Antonides and Company
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT OF INDEPENDENT AUDITORS

Board of Fire Commissioners
Township of Ocean Fire District No. 1
Oakhurst, New Jersey

We have audited, 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, the financial statements of the Township of Ocean Fire District No. 1 (the "District"), in the County of Monmouth, for the year ended December 31, 2011, and have issued our report thereon dated August 24, 2012.

As part of our audit, we performed procedures to test the District's compliance with state statutory regulations pertaining to the District and the findings, if any, and results thereof are disclosed on the following pages.

This report is intended solely for the information and use of the management of the District, the Board of Fire Commissioners and the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not intended to be and should not be used by anyone other than these specified parties.

William E. Antonides and Company
Independent Auditors



William E. Antonides, Jr.
Certified Public Accountant

August 24, 2012

An audit of the financial accounts and transactions of the Township of Ocean Fire District No. 1 (the "District"), in the County of Monmouth, for the year ended December 31, 2011 has recently been completed. The results of the audit are herewith set forth.

SCOPE OF AUDIT

The audit covered the financial transactions of the Treasurer and the activities of the members of the Board of Fire Commissioners and District Administrator.

The audit did not and could not determine the character of services rendered for which payment had been made or for which reserves had been set up, nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the internal review and control before approval of such claims by the commissioners.

Cash on hand was counted and cash equivalent balances were reconciled with independent certifications obtained directly from the depositories.

All material items of revenue and receipts were established and verified as to source and amount where practical.

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised per N.J.S.A. 40A:11-4a

N.J.S.A. 40A:11-4a states "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law." The amount set forth pursuant to the above statute was \$17,500.

The commissioners of the District have the responsibility of determining whether the expenditures in any category will exceed the above statutory limitation within the fiscal year. Where questions arise as to whether any contract or agreement might result in a violation of the statute, the District Counsel's opinion should be sought before a commitment is made.

The minutes indicate that resolutions were generally adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

Inasmuch as the system of records did not provide for an 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 compliance review of expenditures did not reveal any individual payments or contracts in excess of the statutory limit other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-4.

Contracts or Agreements not Required to be Advertised per N.J.S.A. 40A:11-6.1

N.J.S.A. 40A:11-6.1 states “For all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount... .. the contracting agent shall award the contract after soliciting at least two competitive quotations, if practicable.”

We conducted a compliance review of the procedures and policies for securing quotations for purchases referred to above which indicated that the procedures were implemented to ensure statutory compliance and that quotes had been solicited as required by the statute except as noted below.

FOLLOW-UP OF PRIOR YEAR FINDINGS

In accordance with Government Auditing Standards, our procedures included a review of all prior year findings. Finding 10-01 was addressed in 2011.

FINDINGS/RECOMMENDATIONS

11-01 Criteria - New Jersey Statute 40A:11-36 requires that any sale of assets be properly advertised so that bids can be received and any other requirements or restrictions are made known.

Condition - There was one instance where an asset was sold without advertisement.

Recommendation - That the District adhere to procedures established by New Jersey Statute in regards to the sale of assets.

ACKNOWLEDGMENT

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

The foregoing comments and resultant recommendation are not of sufficient materiality whereby they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments or should you desire assistance in implementing our recommendation, please contact us at your earliest opportunity.

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