

TOWNSHIP OF FREEHOLD FIRE DISTRICT NO. 1

COUNTY OF MONMOUTH

REPORT OF AUDIT

WITH SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2013

*Dorothy S. Gallagher, C.P.A., R.M.A., P.S.A., L.L.C.*

CERTIFIED PUBLIC ACCOUNTANT

**TOWNSHIP OF FREEHOLD FIRE DISTRICT NO. 1**

**TABLE OF CONTENTS**

<b><u>Exhibit</u></b>		<b><u>Page</u></b>
	<b><u>Financial Section</u></b>	
	Independent Auditor's Report	1
	<b><u>Required Supplementary Information – Part 1</u></b>	
	Management's Discussion and Analysis	4
	<b><u>Basic Financial Statements</u></b>	
	<b>Government-Wide Financial Statements</b>	
A-1	Statement of Net Position	9
A-2	Statement of Activities	10
	<b>Fund Financial Statements</b>	
B-1	Balance Sheet	11
B-2	Statement of Revenues, Expenditures, and Changes in Fund Balances	12
B-3	Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities	13
	<b><u>Notes to Financial Statements</u></b>	14
	Report on Internal Control Over Financial Reporting on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance Government Auditing Standards	26
	<b><u>Required Supplementary Information Part – II</u></b>	
	<b>Budgetary Comparison Schedules</b>	
C-1	Budgetary Comparison Schedule – General Fund	29
C-2	Budgetary Comparison Schedule – Note to Required Supplementary Information	31
	<b><u>Other Supplementary Information</u></b>	
	<b>Capital Projects Fund</b>	
F-1	Summary Statement of Project Expenditures	32

**FINANCIAL SECTION**

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### **INDEPENDENT AUDITOR'S REPORT**

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

#### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Freehold Fire District No. 1, in the County of Monmouth, New Jersey, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fire District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Fire District's internal control. Accordingly, I express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my 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 Freehold Fire District No. 1, in the County of Monmouth, State of New Jersey, as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

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 Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

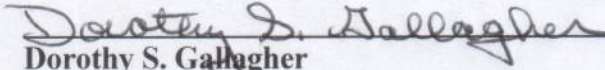
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Freehold Fire District No. 1's basic financial statements. The related major fund supporting statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statements and schedules previously referred to are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated July 15, 2014 on my consideration of the Township of Freehold Fire District No. 1's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements (if applicable), and other matters. The purpose of that report is to describe the scope of my 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* in considering the Township of Freehold Fire District No. 1's internal control over financial reporting and compliance.

**Dorothy S. Gallagher,  
C.P.A., R.M.A., P.S.A., L.L.C.**

  
**Dorothy S. Gallagher  
Certified Public Accountant**

July 15, 2014

**REQUIRED SUPPLEMENTARY INFORMATION  
PART I**

**TOWNSHIP OF FREEHOLD FIRE DISTRICT NO. 1**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2013**

As Management of the Freehold Township Fire District No. 1 (the "Fire District"), we offer readers of the Fire District financial statements this narrative overview and analysis of the financial activities of the Fire District for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the Fire District's financial performance as a whole. Readers should also review the information furnished in the notes to the financial statements along with the financial statements to enhance their understanding of the Fire District's financial performance.

**FINANCIAL HIGHLIGHTS**

- The assets of the Fire District exceed its liabilities at the close of the most recent year by \$3,964,786 (net position).

As of the close of the current year, the Fire District's governmental funds reported combined ending fund balances of \$1,278,386 an increase of \$118,737 in comparison with the prior year.

At the end of the current year the unassigned fund balance for the general fund was \$332,961.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Fire District's financial statements. The Fire District's financial statements are comprised of the Statement of Net Position, the Statement of Activities (government-wide financial statements) and the Fund Financial Statements. The government-wide financial statements provide information about the activities of the Fire District as a whole. The Fund Financial Statements focus on how services were financed and also provide more detail. The government-wide financial statements are designed to provide readers with a broad overview of the Fire District's finances, in a manner similar to a private sector business. These statements report information about the Fire District as a whole.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Fire District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Both the government-wide financial statements distinguish functions of the Fire District that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Fire District include fire-fighting and emergency services that are provided to the citizens of the Fire District.



## **Fund Financial Funds**

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 Fire 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 Fire District constitute one fund type, governmental funds.

## **Governmental Funds**

All of the Fire 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 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 Fire District's general government operations and the basic services it provides. Government fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance fire-fighting services.

The Fire 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, debt service fund and capital projects fund.

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

Also, the Fire 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 government-wide financial statements. The notes to financial statements are an integral part of the financial statements.

## **Government-wide Financial Analysis**

As noted earlier, the net position may serve over time as a useful indicator of a government's financial position. The Fire District's assets exceeded the liabilities by \$3,964,785. at the close of the most recent year.

The largest portion of the Fire District's net position (68%) reflects its investment in capital assets (i.e. buildings and equipment). The Fire 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 Fire 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 other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Fire District's net position at December 31 are as follows:

	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$ 1,320,174	\$ 1,192,56
Capital Assets	2,686,399	2,933,27
Total Assets	<u>4,006,573</u>	<u>4,125,84</u>
Other Liabilities	<u>41,788</u>	<u>32,91</u>
Net Investment in Capital Assets	\$ 2,686,399	\$ 2,933,27
Restricted	717,052	467,05
Unrestricted	<u>561,334</u>	<u>692,59</u>
Total Net Position	<u>\$ 3,964,785</u>	<u>\$ 4,092,92</u>

### Changes in Net Position

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 the governmental activities are as follows:

	<u>2013</u>	<u>2012</u>
Expenses:		
Operating Appropriations:		
Administration	\$ 94,127	\$ 72,013
Cost of Operations and Maintenance	939,289	933,283
Operating Appropriations Offset With Revenues	5,181	5,181
Length of Service Awards Program – Contribution	84,665	80,391
Loss on Disposal of Capital Assets		41,854
Total Program Expenses	<u>1,123,262</u>	<u>1,132,722</u>
Program Revenues:		
Operating Grants and Contributions	<u>5,181</u>	<u>5,181</u>
Net Program Expenses	<u>1,118,081</u>	<u>1,127,541</u>
General Revenues		
Taxes		
Property Taxes Levied for General Purposes	946,000	928,000
Unrestricted Investment Earnings	8,299	9,566
Unrestricted Miscellaneous Income	<u>35,642</u>	<u>188,146</u>
Total General Revenues	<u>989,941</u>	<u>1,125,712</u>
Change in Net Position	(128,140)	(1,829)
Net Position, January 1	<u>4,092,926</u>	<u>4,094,755</u>
Net Position, December 31	<u>\$ 3,964,785</u>	<u>\$ 4,092,926</u>

Property taxes constituted 95% and 82% of revenues for government activities for the Fire District for the years 2013 and 2012, respectively.

The cost of operation and maintenance comprises 84% and 93% of Fire District expenses, with administration comprising 8% and 7% for the years ended 2013 and 2012, respectively.

### **Financial Analysis of Governmental Funds**

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

### **Governmental Fund**

The focus of the Fire District's governmental funds is to provide information on a near-term; inflows, outflows and balances of spendable resources. Such information is useful in assessing the Fire District's financing requirements. In particular, unassigned 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 Fire District's governmental funds reported combined ending fund balances of \$1,278,386 an increase of \$118,738 in comparison with the prior year. The increase is attributable to decreased operating expenditures in the General Fund.

Of the combined ending fund balances of \$1,278,386, \$178,000 was restricted for capital projects – designated for subsequent year's expenditures, \$228,372 was designated for subsequent year expenditures and the unassigned fund balance constituted \$332,961. The capital project fund balance in the amount of \$539,052 is restricted for capital projects. The remainder of the fund balance in the amount of \$1 is restricted for debt service. The general fund is the main operating fund of the Fire District.

The capital projects fund reports the financial resources that are either restricted, committed or assigned for capital outlays.

### **Capital Assets**

The Fire District's investment in capital assets for its governmental activities as of December 31, 2013 amount to \$2,686,399 (net of accumulated depreciation). This investment in capital assets included land, buildings and improvements, machinery and equipment, and office furniture and equipment.

At the end of 2013 the Fire District had \$6,037,627 invested in capital assets. The accumulated depreciation of these items was \$3,351,228.

The Fire District's capital assets (net of accumulated depreciation) at December 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Land	\$ 79,500	\$ 79,500
Buildings and Improvements	741,190	774,757
Machinery and Equipment	1,451,843	1,652,552
Office Furniture and Equipment	<u>413,866</u>	<u>426,468</u>
Total	<u>\$ 2,686,399</u>	<u>\$ 2,933,277</u>

Additional information on the Fire District's capital assets can be found in the Notes to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

For the 2013 year the Fire District was able to sustain its budget through the district tax levy and other sources of revenue. Approximately 95% of total revenue is from the local tax levy, while the remaining 5% is from other sources.

The Board adopted the 2014 budget December 17, 2013 and the voters subsequently approved the budget at the annual fire district election held on February 15, 2014.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Fire District's finances for all of those with an interest in the Fire District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Charles S. Buscaglia, District Treasurer, P.O. Box 6903, Freehold, NJ 07728, (732) 462-3575.

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**TOWNSHIP OF FREEHOLD FIRE DISTRICT NO. 1**

**STATEMENT OF NET POSITION**

**Exhibit A-1**

**DECEMBER 31, 2013**

Assets:	
Cash and Cash Equivalents	\$ 1,320,174.23
Capital Assets, Net (Note 5)	<u>2,686,398.92</u>
Total Assets	<u>\$ 4,006,573.15</u>
Liabilities:	
Accounts Payable	<u>41,787.77</u>
Total Liabilities	<u>\$ 41,787.77</u>
Net Position:	
Net Investment In Capital Assets	\$ 2,686,398.92
Restricted For:	
Capital Projects	717,052.15
Unrestricted	<u>561,334.31</u>
Total Net Position	<u>\$ 3,964,785.38</u>

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

**TOWNSHIP OF FREEHOLD FIRE DISTRICT NO. 1**

**STATEMENT OF ACTIVITIES**

**Exhibit A-2**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

Expenses:		
Operation Appropriations:		
Administration	\$	94,126.58
Cost of Operations and Maintenance		939,289.41
Operating Appropriations Offset with Revenues		5,181.00
Length of Service Awards Program (LOSAP)		
Contribution (P.L. 1997, c. 388)		84,665.28
Total Program Expenses		<u>1,123,262.27</u>
Program Revenues:		
Operating Grants and Contributions		5,181.00
Net Program Expenses		<u>1,118,081.27</u>
General Revenues		
Taxes:		
Property Taxes, Levied For General Purposes		946,000.00
Unrestricted Investment Earnings		8,299.47
Unrestricted Miscellaneous Income		35,641.42
Total General Revenues		<u>989,940.89</u>
Change in Net Position		(128,140.38)
Net Position, January 1		<u>4,092,925.76</u>
Net Position, December 31	\$	<u><u>3,964,785.38</u></u>

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



**FUND FINANCIAL STATEMENTS**

**TOWNSHIP OF FREEHOLD FIRE DISTRICT NO. 1**

**BALANCE SHEET**

Exhibit B-1

**GOVERNMENTAL FUNDS**

**DECEMBER 31, 2013**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and Cash Equivalents	\$ 781,121.08	\$ 539,052.15	\$ 1.00	\$ 1,320,174.23
Total Assets	<u>\$ 781,121.08</u>	<u>\$ 539,052.15</u>	<u>\$ 1.00</u>	<u>\$ 1,320,174.23</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	\$ 41,787.77	\$ _____	\$ _____	\$ 41,787.77
Total Liabilities	<u>41,787.77</u>	<u>_____</u>	<u>_____</u>	<u>41,787.77</u>
Fund Balances: (Note 13)				
Restricted For:				
Capital Projects		539,052.15		539,052.15
Capital Projects - Designated for Subsequent Year's Expenditures	178,000.00			178,000.00
Debt Service			1.00	1.00
Assigned:				
Designated for Subsequent Year's Expenditures	228,372.00			228,372.00
Unassigned	332,961.31			332,961.31
Total Fund Balances	<u>739,333.31</u>	<u>539,052.15</u>	<u>1.00</u>	<u>1,278,386.46</u>
Total Liabilities and Fund Balances	<u>\$ 781,121.08</u>	<u>\$ 539,052.15</u>	<u>\$ 1.00</u>	

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 \$6,037,626.92, and the accumulated depreciation is \$3,351,228.

2,686,398.92

Net Position of Governmental Activities

\$ 3,964,785.38

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

**TOWNSHIP OF FREEHOLD FIRE DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

Exhibit B-2

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Miscellaneous Anticipated Revenue	\$ 8,299.47	\$	\$	\$ 8,299.47
Operating Grant Revenue	5,181.00			5,181.00
Amount to be Raised by Taxation to Support the District Budget	946,000.00			946,000.00
Non-Budgetary Revenues	35,641.42			35,641.42
Total Revenues	<u>995,121.89</u>			<u>995,121.89</u>
Expenditures:				
Operating Appropriations:				
Administration	94,126.58			94,126.58
Cost of Operations and Maintenance	692,411.49			692,411.49
Operating Appropriations Offset With Revenues	5,181.00			5,181.00
Length of Service Awards Program (LOSAP) - Contribution (P.L. 1997, c. 388)	84,665.28			84,665.28
Capital Appropriations	500,000.00			500,000.00
Total Expenditures	<u>1,376,384.35</u>			<u>1,376,384.35</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(381,262.46)</u>			<u>(381,262.46)</u>
Other Financing Sources (Uses):				
Transfer of Funds	428,000.00	72,000.00		500,000.00
Total Other Financing Sources (Uses)	<u>428,000.00</u>	<u>72,000.00</u>		<u>500,000.00</u>
Fund Balance, January 1	<u>692,595.77</u>	<u>467,052.15</u>	<u>1.00</u>	<u>1,159,648.92</u>
Fund Balance, December 31	<u>\$ 739,333.31</u>	<u>\$ 539,052.15</u>	<u>\$ 1.00</u>	<u>1,278,386.46</u>

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

**TOWNSHIP OF FREEHOLD 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, 2013**

Exhibit B-3

Total Net Change in Fund Balances - Governmental Funds \$ 118,737.54

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 useful lives as depreciation expense. This is the amount by which capital outlays exceeded the depreciation in the period.

Depreciation Expense	\$ (365,395.92)	
Capital Outlays	<u>118,518.00</u>	<u>(246,877.92)</u>

Change in Net Position of Governmental Activities \$ (128,140.38)

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

**NOTES TO FINANCIAL STATEMENTS**

**TOWNSHIP OF FREEHOLD FIRE DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of the Reporting Entity** – Fire District No. 1 of the Township of Freehold (the “Fire District”) is a public body politic and corporate of the County of Monmouth, State of New Jersey. The Board of Fire Commissioners (the “Board”) is elected by the residents within the designated territorial area of the District. The length of each commissioner’s term is three years with an annual election held every February. 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 Freehold Township Fire District No. 1.

The purpose of the District is to provide fire protection for the citizens of the District. The District serves approximately 18,000 residents. The majority of the services are provided through volunteers.

**Component Units** – GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, provide guidance that all entities associated with a primary government are potential component units, and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statements No. 14 and No. 39. In addition, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, provides additional guidance for organizations that do not meet the financial accountability criteria for inclusion as component units but that nevertheless should be included because the primary government’s management determines that it would be misleading to exclude them. As of December 31, 2013, the Fire District had no component units.

**Basis of Presentation** – The financial statement of the Fire District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Fire District’s accounting policies are described below.

The basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

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

**Government-wide Financial Statements** – The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information of the District as a whole. The statement of net position presents the financial condition of the governmental activities of the Fire District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Fire District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. The policy of the Fire District is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Fire District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Fire District.

**Fund Financial Statements** – A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The fund financial statements provide more detail of the governmental funds. In order to aid financial management and comply with the laws the Fire District segregates transactions related to certain Fire District functions or activities. Each major fund is presented in a single column. For the Fire District, only one category of fund exists, that being governmental.

**Governmental Funds** – The major governmental funds of the Fire District include the general fund, capital projects fund and the debt service fund. The focus of reporting in these funds focuses on the sources, uses and balances of current financial resources. Expendable assets and current liabilities are assigned to the various governmental funds in accordance with the purposes for which they may or must be used and the fund from which they will be paid, respectively. The reported fund balance is the difference between governmental fund assets and liabilities.

**General Fund** – This is the Fire District's operating fund. The inflow and outflows of the Fire District's financial resources are accounted in this fund. When the general fund is responsible for the financing and acquisition of capital assets, such as fire fighting apparatus and equipment, these transactions are accounted for in the general fund.

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

**Basis of Presentation (Cont'd)**

**Capital Projects Fund** – The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of major capital facilities such as fire houses and firefighting apparatus. Generally, the financial resources of the capital projects fund are derived from the issuance of debt or by the utilization 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 and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**Measurement Focus**

**Government-wide Financial Statements** – The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflow of resources, liabilities, and deferred inflows of resources associated with the operation of the Fire District are included on the statement of net position.

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

**Basis of Accounting** – The government-wide financial statements are reported using the accrual basis of accounting. This basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Governmental funds use the modified accrual basis of accounting. Revenue recognition and the presentation of expenses versus expenditures differ between the accrual and the modified accrual basis of accounting.



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

Basis of Accounting (Cont'd)

**Revenues – Exchange and Non-Exchange Transactions** – Revenue resulting from nonexchange transaction in which the Fire District gives or receives value without directly receiving or giving equal value in exchange 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.

The Fire District's nonexchange transactions include receives value without directly giving equal value in return; include property taxes, grants, entitlements, and donations. Ad 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.

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

**Expenses/Expenditures** – Expenses are recognized at the time they are incurred, in accordance with the accrual basis of accounting. The decreases in net financial resources (expenditures) are the measurement focus of governmental fund accounting. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Depreciation and amortization are not recognized in governmental funds.

**Budgets/Budgetary Control** – The Fire District must adopt an annual budget in accordance with N.J.S.A. 40A:14-78. 1 et al.

The Board of Commissioners (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 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.

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

**Budgets/Budgetary Control (Cont'd)**

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.

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

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. Encumbrances are a component 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 governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included with committed or assigned fund balance, as appropriate.

Open encumbrances in the special revenue fund, however, for which the Fire District has received advances, are reflected on the balance sheet as unearned grant revenue at year end.

**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.

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

**Cash, Cash Equivalents and Investments (Cont'd)**

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 Governmental Unit Deposit Protection Act. The Act was enacted in 1970 to protect Governmental 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** – Inventories are valued at cost in the governmental fund types and are recorded as an expenditure during the year of purchase.

Inventories recorded on the government-wide financial statements are recorded as expenditures when consumed rather than when purchased. At December 31, 2013, the Fire District did not have a material amount of inventory.

**Prepaid Expenses** – 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 government-wide financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2013. At December 31, 2013, no prepaid expenses existed.

**Short-Term Interfund Receivables/Payables** – Interfund receivables and payables arise from transactions between funds and are due within one year. These amounts are eliminated in the governmental column of the statement of net position.

**Capital Assets** – Capital assets which include land, buildings, improvements and equipment, result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position but are not reported in the fund financial statements.

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

**Capital Assets (Cont'd)**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are valued at their estimated fair market value on the date received. 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. There is no capitalization threshold used by the Fire District. 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 useful lives of the assets as follows:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	10 - 40 Years
Vehicles	5 - 25 Years
Furniture and Fixtures	5 Years
Equipment	5 -10 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. 40A: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 or two percent (2%) of the assessed valuation of property, whichever is larger.

**Unearned Revenue** – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Fire District is eligible to realize the revenue.

**Accrued Liabilities** – The government-wide financial statements report payables and accrued liabilities. Generally, the governmental fund payables and accrued liabilities that have been incurred 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.

NOTE 1.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Net Position** – Net position represents the difference between the summation of the assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

**Net Investment in Capital Assets** – Capital assets are reported net of accumulated depreciation and outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

**Restricted** – Restricted results when there are limitations imposed on the 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.

**Unrestricted** – Unrestricted net position is the remainder when it does not meet the criteria of the other two components of net position.

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** – Fund balances are determined by constraints pertaining to the specific purpose for which the funds can be spent. The Fire District's policies for classifying the fund balances are as follows:

**Nonspendable** – Fund balance amounts that cannot be spent either because it is not in spendable form or legal or contractual constraints exist.

**Restricted** – Constraints exist that are externally imposed by external parties, constitutional provision or enabling legislation.

**Committed** – Amounts that are constrained for specific purposes which are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year end.

**Assigned** – Amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the Board of Commissioners.

**Unassigned** – The residual classification for the general fund which has not been classified within the above categories and negative fund balances in other governmental funds.

**Interfunds** – Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed.

**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 could differ from those estimates.

**NOTE 2. CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk Related to Deposits** – Custodial credit risk is the risk that, in the event of a bank failure, the Fire District’s deposits might not be recovered. Although the Fire District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Fire District in excess of the FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Fire District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized. Of the Fire District’s amount on deposit of \$1,322,755 as of December 31, 2013, \$250,000 was insured under FDIC and \$1,072,755 was collateralized under GUDPA.

**Restricted Cash and Cash Equivalents** – At December 31, 2013, none of the Fire District’s cash and cash equivalents was restricted.

**NOTE 3. PROPERTY TAX LEVIES**

The 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 Valuation</u>	<u>Total Tax Levy</u>	<u>Tax Rate</u>
2013	\$3,043,170,800	946,000	.031
2012	3,414,631,300	928,000	.028
2011	3,441,235,965	957,299	.028
2010	3,489,516,297	895,300	.026
2009	1,731,171,098	866,800	.025

**NOTE 4. ACCOUNTS RECEIVABLE**

As of December 31, 2013, the Fire District did not have an accounts receivable balance.

**NOTE 5. CAPITAL ASSETS**

Capital assets consisted of the following for the year ended December 31, 2013:

	<u>Balance</u> <u>Jan. 1, 2013</u>	<u>Increases</u>	<u>Balance</u> <u>Dec. 31, 2013</u>
Capital Assets that are being Depreciated:			
Building and Improvements	\$ 1,245,985	\$	\$ 1,245,985
Machinery and Equipment	3,420,543	3,980	3,424,523
Office Furniture and Equipment	<u>1,173,080</u>	<u>114,538</u>	<u>1,287,618</u>
Total Capital Assets being Depreciated	<u>5,839,609</u>	<u>118,518</u>	<u>5,598,127</u>
Land	<u>79,500</u>	<u></u>	<u>79,500</u>
Total Capital Assets, Cost	<u>6,037,627</u>	<u>118,518</u>	<u>118,518</u>
Less Accumulated Depreciation for:			
Building and Improvements	( 471,228)	( 33,567)	( 504,795)
Machinery and Equipment	(1,767,991)	(204,687)	(1,972,681)
Office Furniture and Equipment	<u>( 746,613)</u>	<u>(127,140)</u>	<u>( 873,753)</u>
Total Accumulated Depreciation	<u>(2,985,832)</u>	<u>(365,396)</u>	<u>( 3,351,228)</u>
Total Capital Assets being Depreciated, Net of Accumulated Depreciation	<u>2,933,276</u>	<u>(246,878)</u>	<u>2,686,399</u>
Capital Assets, Net	<u>\$ 2,933,276</u>	<u>\$ (246,878)</u>	<u>\$ 2,686,399</u>

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

Cost of Operations and Maintenance	<u>\$ 365,396</u>
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**NOTE 6. 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 employee; and natural disasters.

**Property and Liability Insurance** – The Fire District maintains commercial insurance coverage for property and liability.

**NOTE 7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

As of and for the year ended December 31, 2013, no interfund receivables or payables, or transfers among funds, existed.

**NOTE 8. FUND BALANCES APPROPRIATED – GENERAL FUND**

The Fire District adopted the 2014 annual budget on December 17, 2013, and the voters approved the budget at the annual election held on February 15, 2014. The adopted budget utilized \$406,372 of fund balance in the general fund, of which \$178,000 represents restricted fund balance.

The total general fund fund balance for the end of the previous five years and the amount utilized in the subsequent year’s budget is as follows:

<u>Year</u>	<u>Balance Dec. 31</u>	<u>Utilization in Subsequent Budget</u>
2013	\$739,333	\$ 406,372
2012	692,596	486,800
2011	715,988	300,000
2010	628,604	308,501
2009	665,057	44,500

**NOTE 9. FUND BALANCES**

**RESTRICTED**

Fund balances are classified as restricted when restrictions or constraints that are either placed on the use of resources by externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The Fire District’s restricted classifications include the following:

**General Fund –**

**Capital Projects (Future Capital Outlays) –** Future capital expenditures to be made in future years. The Board of Fire Commissioners must pass a resolution to authorize the inclusion of a capital appropriation in the annual budget. As of December 31, 2013, the balance is \$539,052, of which \$0 is designated for subsequent year’s expenditures.

**Capital Projects Fund –**

On February 16, 2013 the voters approved the capital ballot question proposed by the governing body of the Fire District resolution dated December 18, 2012. Approval was obtained for the Fire District to expend an amount not to exceed \$500,000 for the building expansion. As of December 31, 2013, the restricted fund balance is \$500,000.



**NOTE 9. FUND BALANCES (CONT'D)**

**ASSIGNED**

This classification includes amounts that are constrained by the Fire District's intent to be used for specific purposes, which are neither restricted nor committed. Assigned fund balances are as follows:

**General Fund –**

**For Subsequent Year's Expenditures** – The General Fund balance in the amount of \$228,372 was anticipated in the 2014 budget.

**UNASSIGNED**

The Fire District's unassigned fund balance as of December 31, 2013 was \$332,961. This classification represents fund balance that has not been restricted, committed or assigned to specific purposes.

**NOTE 10. LENGTH OF SERVICE AWARDS PROGRAMS**

The Fire District has established a Length of Service Awards Program through VFIS (Volunteer Firemen's Insurance Services), the Plan Administrator. The Length of Service Awards Program (LOSAP) was enacted April 15, 1989, for the purposes of acknowledging and rewarding the loyalty, dedication and community service rendered by members of volunteer emergency service organizations. The first year of eligibility for entrance into the Plan by qualified volunteers was calendar year 1989. The Plan Administrator established an account with the Hartford Life Insurance Company. The Plan provides tax deferred income benefits to active volunteer firefighters.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating qualified volunteers and not be accessible by the Fire District or its creditors.

As required by N.J.A.C. 5:30-14.49, the Fire District must have an annual review of its LOSAP performed in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

*Dorothy S. Gallagher, C.P.A., R.M.A., P.S.A., L.L.C.*

CERTIFIED PUBLIC ACCOUNTANT

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

**INDEPENDENT AUDITOR'S REPORT**

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities and each major fund of the Township of Freehold Fire District No. 1, in the County of Monmouth, State of New Jersey, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements, and have issued my report thereon dated July 15, 2014.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Township of Freehold Fire District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fire District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Township of Freehold Fire District No. 1's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify and deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

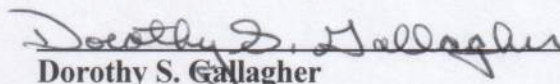
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township of Freehold Fire District No. 1's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements (if applicable), 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. I noted certain matters that I reported in the comments and recommendations section of this report and in a separate letter to management of the Fire District dated July 15, 2014.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fire District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, in considering the Fire District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Dorothy S. Gallagher,**  
**C.P.A., R.M.A., P.S.A., L.L.C.**

  
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**Dorothy S. Gallagher**  
**Certified Public Accountant**

July 15, 2014

## SCHEDULE OF FINDINGS AND RESPONSE

### Financial Records

**13-01 Criteria** – State statute requires that the District comply with Generally Accepted Accounting Principles (“GAAP”). The District is also required by statute to have an annual audit. The District must prepare an Annual Financial Report (“AFR”) in compliance with the Governmental Accounting Standards Board (“GASB”) Statement Number 34 to satisfy these statutory requirements. The District does not employ or contract with an independent individual who has sufficient knowledge and experience to accurately prepare a complete set of financial statements, including related disclosures.

**Condition** – The District maintains its accounting records to insure the compliance with budgetary regulations promulgated by statute. Supplemental analysis is maintained to facilitate the preparation of the AFR.

**Cause** – Based on the size of the District it is not cost effective for the District to employ an independent individual who has the requisite training and experience to prepare the AFR.

**Effect** – The District does not have sufficient information to accurately report on financial activity throughout the year in accordance with GAAP. The District does; however, have adequate records to report and ensure compliance with budgetary regulations promulgated by statute.

**Recommendation** – That the District consider and evaluate the risks of the auditor preparing the AFR.

**Management’s Response** – The District does not feel that hiring someone with the ability to prepare financial statements is a cost effective use of taxpayer funds.

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

**BUDGETARY COMPARISON SCHEDULES**

**TOWNSHIP OF FREEHOLD FIRE DISTRICT NO. 1**

**BUDGETARY COMPARISON SCHEDULE**

Exhibit C-1

**GENERAL FUND**

Sheet 1 of 2

**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Original Budget</u>	<u>Budget Modifications/ Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative) Final to Actual</u>
Revenues:					
Miscellaneous Anticipated Revenues:					
Interest on Investments and Deposits	\$ 6,000.00	\$ _____	\$ 6,000.00	\$ 8,299.47	\$ 2,299.47
Operating Grant Revenue:					
Other Grants and Entitlements	4,000.00	_____	4,000.00	5,181.00	1,181.00
Amount to be Raised by Taxation to Support the District Budget	946,000.00	_____	946,000.00	946,000.00	_____
Total Anticipated Revenues	<u>956,000.00</u>	<u>_____</u>	<u>956,000.00</u>	<u>959,480.47</u>	<u>3,480.47</u>
Non-Budgetary Revenues:					
Miscellaneous	_____	_____	_____	35,641.42	35,641.42
Total Revenues	\$ <u>956,000.00</u>	\$ <u>_____</u>	\$ <u>956,000.00</u>	\$ <u>995,121.89</u>	\$ <u>39,121.89</u>
Expenditures:					
Operating Appropriations:					
Administration:					
Salaries and Wages	\$ 40,800.00	\$ _____	\$ 40,800.00	\$ 40,800.00	\$ _____
Fringe Benefits	5,000.00	_____	5,000.00	18,513.05	(13,513.05)
Other Expenses:					
Professional Fees	16,000.00	_____	16,000.00	27,862.64	(11,862.64)
Elections	1,500.00	_____	1,500.00	1,113.21	386.79
Office Supplies	5,000.00	_____	5,000.00	2,944.69	2,055.31
Other	27,500.00	_____	27,500.00	2,892.99	24,607.01
Total Administration	<u>95,800.00</u>	<u>_____</u>	<u>95,800.00</u>	<u>94,126.58</u>	<u>1,673.42</u>
Cost of Operations and Maintenance:					
Other Expenditures:					
Insurance	100,000.00	_____	100,000.00	97,305.32	2,694.68
Contracted Services	108,000.00	_____	108,000.00	108,000.00	_____
Utilities	60,000.00	_____	60,000.00	59,147.45	852.55
Truck Repairs and Maintenance	90,000.00	_____	90,000.00	125,459.24	(35,459.24)
Operating Supplies	228,000.00	_____	228,000.00	208,709.88	19,290.12
Motor Fuels	30,000.00	_____	30,000.00	24,583.30	5,416.70
Equipment Testing	25,000.00	_____	25,000.00	20,339.33	4,660.67
Fire Prevention Education	5,000.00	_____	5,000.00	327.00	4,673.00
Education and Training	30,000.00	_____	30,000.00	25,797.98	4,202.02
Other	10,000.00	_____	10,000.00	22,741.99	(12,741.99)
Total Cost of Operations and Maintenance	<u>686,000.00</u>	<u>_____</u>	<u>686,000.00</u>	<u>692,411.49</u>	<u>(6,411.49)</u>
Operating Appropriations Offset With Revenues:					
Other Expenses	4,000.00	_____	4,000.00	5,181.00	(1,181.00)
Length of Service Award Program (LOSAP) - Contribution (P.L. 1997, C. 388)	85,000.00	_____	85,000.00	84,665.28	334.72
Capital Appropriations	572,000.00	(72,000.00)	500,000.00	500,000.00	_____
Total Expenditures	\$ <u>1,442,800.00</u>	\$ <u>(72,000.00)</u>	\$ <u>1,370,800.00</u>	\$ <u>1,376,384.35</u>	\$ <u>(5,584.35)</u>

**TOWNSHIP OF FREEHOLD FIRE DISTRICT NO. 1**

**BUDGETARY COMPARISON SCHEDULE**

Exhibit C-1

**GENERAL FUND**

Sheet 2 of 2

**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Other Financing Sources and Uses:					
Transfer of Funds	\$ _____	\$ _____	\$ _____	\$ (428,000.00)	\$ 428,000.00
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	\$ <u>(486,800.00)</u>	\$ <u>72,000.00</u>	\$ <u>(414,800.00)</u>	\$ 46,737.54	\$ <u>368,062.46</u>
Fund Balances, January 1				<u>692,595.77</u>	
Fund Balances, December 31				\$ <u>739,333.31</u>	
Recapitulation:					
Restricted				\$ 178,000.00	
Assigned				228,372.00	
Unassigned				<u>332,961.31</u>	
				\$ <u>739,333.31</u>	



**TOWNSHIP OF FREEHOLD FIRE DISTRICT NO. 1**

**REQUIRED SUPPLEMENTARY INFORMATION**

**Exhibit C-2**

**BUDGETARY COMPARISON SCHEDULE**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

Note A - Explanation of Differences Between Budgetary Inflows and GAAP Revenues and Expenditures.

	<b><u>General Fund</u></b>
Sources/Inflows of Resources:	
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (s).	\$ <u>995,121.89</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	\$ <u><u>995,121.89</u></u>
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule (s).	\$ <u>1,376,384.35</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	\$ <u><u>1,376,384.35</u></u>

**OTHER SUPPLEMENTARY INFORMATION**

**CAPITAL PROJECTS FUND**

**TOWNSHIP OF FREEHOLD FIRE DISTRICT NO. 1**

**CAPITAL PROJECTS FUND**

Exhibit F-1

**SUMMARY STATEMENT OF PROJECT EXPENDITURES - BUDGETARY**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

<b><u>Project Title/Issue</u></b>	<b><u>Original Date</u></b>	<b><u>Net Appropriation</u></b>	<b><u>Expenditures to Date Prior Years</u></b>	<b><u>Unexpended Balance Dec. 31, 2013</u></b>
Building Expansion	2012	\$ 500,000.00	\$	\$ 500,000.00
Construction of New Firehouse	*	*	*	36,244.15
Heavy Rescue Vehicle	2006	200,000.00	197,192.00	2,808.00
		<u>\$ 700,000.00</u>	<u>\$ 197,192.00</u>	<u>\$ 539,052.15</u>

\* Information Not Available