

**LITTLE EGG HARBOR TOWNSHIP
FIRE DISTRICT NO. 2
OCEAN COUNTY, NEW JERSEY**

Financial Statements

December 31, 2010 and 2009

With Independent Auditors' Report

Little Egg Harbor Township Fire District No. 2
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December 31, 2010 and 2009

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Board of Fire Commissioners
Little Egg Harbor Township Fire District #2
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Little Egg Harbor Township Fire District No. 2's financial performance provides an overview of the District's financial activities for the year ended December 31, 2010.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provides information about the activities of the District as a whole and presents a long term view of the District's finances. For governmental activities, these statements tell how district services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as a Board for the benefit of those outside of the government.

Reporting on the District as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base and the condition of the District's equipment to assess the overall health of the District.

In the Statement of Net Assets and the Statement of Activities, we divide the District into two kinds of activities;

- General Fund activities – Most of the District's basic services are reported here. Property Tax Levies finance most of these activities.
- Capital Fund activities – The District's equipment acquisitions are financed by prior levies and approved by the taxpayers. The District's acquisitions are reported here.

Reporting on the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants.

- General funds – Most of the District's basic services are reported in general funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The general fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. General fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between general fund activities (reported in the Statement of Net Assets and the Statement of Activities) and capital funds in reconciliation at the bottom of the fund financial statements.

The District as a Board

Reporting on the District's Fiduciary Responsibilities

The District is a board of commissioners that are charged with the safety and protection of the residents within its boundaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

For the year ended December 31, 2010, net assets changed as follows:

	2010 GAAP Basis		Total	Increase (Decrease) over 2009	Percentage Increase (Decrease)
	General Fund Activities	Capital Fund Activities			
Assets					
Current and other assets	\$ 381,876	\$ -	\$ 381,876	\$ 40,073	11.72%
Capital assets	-	491,080	491,080	(71,629)	(12.73%)
Total assets	<u>\$ 381,876</u>	<u>\$ 491,080</u>	<u>\$ 872,956</u>	<u>\$ (31,556)</u>	<u>(3.49%)</u>
Total liabilities	\$ 32,528	\$ 238,275	\$ 270,803	\$ (79,222)	(22.63%)
Net assets					
Invested in capital assets, net of accumulated depreciation and related debt			252,805	17,304	7.35%
Restricted for capital acquisitions			54,578	(75,700)	(58.11%)
Unrestricted			294,770	106,062	56.20%
			<u>\$ 602,153</u>	<u>\$ 47,666</u>	<u>8.60%</u>

The District's increase in net assets signifies an improved financial condition.

Governmental Activities

The General Fund is mainly to provide fire protection to its residents, educate the public as to fire prevention and precaution, and to train qualified personnel. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose. Capital Fund Activities are mainly to provide for the acquisition of major fire equipment for fire extinguishment.

THE DISTRICT'S FUNDS

The following schedule presents a summary of general, capital fund revenues and expenditures for the fiscal year ended December 31, 2010 and the amount and percentage of increases and decreases in relation to the prior year.

	2010 GAAP Basis	Percentage of Total Revenues	Increase (Decrease) over 2009	Percentage Increase (Decrease)
Revenues				
District taxes	\$ 380,170	99.77%	\$ 3,350	0.89%
SFSG	-	0.00%	(2,580)	(100.00%)
Interest	150	0.03%	(115)	(43.40%)
Miscellaneous income	777	0.20%	(10,143)	(92.88%)
	<u>\$ 381,097</u>	<u>100.00%</u>	<u>\$ (9,488)</u>	<u>(2.43%)</u>

District taxes experienced a small increase this year.

	2010 GAAP Basis	Percentage of Total Expenditures	Increase (Decrease) over 2009	Percentage Increase (Decrease)
Expenditures				
Elections	\$ 1,552	0.50%	\$ 993	177.64%
Office supplies	2,007	0.60%	1,611	406.82%
Office services	2,000	0.60%	-	0.00%
Professional services	17,918	5.37%	434	2.48%
Travel expenses	3,851	1.15%	1,677	77.14%
Fringe benefits	36,211	10.86%	9,080	33.47%
Advertising	622	0.19%	169	37.31%
Insurance	25,337	7.60%	955	3.92%
Maintenance and repairs	17,975	5.39%	(10,675)	(37.26%)
Membership and dues	410	0.12%	410	100.00%
Non-bondable assets	10,740	3.22%	4,271	66.02%
Supplies expense	50	0.01%	50	100.00%
Training and education	2,987	0.90%	1,166	64.03%
Uniforms - clothing & equipment	556	0.17%	(4,990)	(89.97%)
Utilities	8,426	2.53%	(199)	(2.31%)
Fire protection services	70,000	20.99%	4,000	6.06%
Interest expense	13,118	3.91%	(2,295)	(14.89%)
Other rentals	32,996	9.90%	(455)	(1.36%)
Depreciation expenses	86,675	25.99%	(11,461)	(11.68%)
	<u>\$ 333,431</u>	<u>100.00%</u>	<u>\$ (5,259)</u>	<u>(1.55%)</u>

Most expenditures are contractual in nature and because of market fluctuations, they can be vary from year to year depending on the circumstances. Overall, the District experienced a decrease in total expenditures of approximately \$5,000 or 2%, mainly due to less repair expense and depreciation expenses.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board revised the General Fund budget once. The amendment was transfer within appropriations as a precaution to avoid over expending a line item.

The budget was prepared expecting a slight decrease in the district tax base. The district tax base was decreased as expected, while the assessed tax rate increased from \$0.027 to \$0.031, resulting in an increase in the total tax assessed valuation, which produced a revenue increase of approximately \$3,400.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

For the year ended December 31, 2010, capital assets changed as follow:

	2009 GAAP Basis	Transfer-in/ Additions	Transfer-out/ Disposals	2010 GAAP Basis	Percentage Increase (Decrease)
Capital assets					
Apparatus	\$ 146,251	\$ -	\$ -	\$ 146,251	0.00%
Equipment	365,869	16,813	-	382,682	4.60%
Vehicles	1,692,513	35,635	16,000	1,712,148	1.16%
Construction in progress	37,402	-	37,402	-	(100.00%)
	<u>2,242,035</u>	<u>52,448</u>	<u>53,402</u>	<u>2,241,081</u>	<u>(0.04%)</u>
Accumulated depreciation	<u>1,679,326</u>	<u>86,675</u>	<u>16,000</u>	<u>1,750,001</u>	4.21%
Capital assets, net	<u>\$ 562,709</u>	<u>\$ (34,227)</u>	<u>\$ 37,402</u>	<u>\$ 491,080</u>	(12.73%)

Debt

In November 2006, the District signed a new capital lease with Kansas State Bank of Manhattan to purchase a new tanker/pumper from Elite Fire Apparatus for eight equal annual payments of \$66,416. First payment was made in 2007. See footnote 7 on page 13 for debt service schedule on future payments.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Next year's general fund budget was determined based on a no increase in the district tax rate. Some of the significant capital asset items approved in this year's budget will be deferred to subsequent years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our District's citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Clerk's office at 827 Radio Road, Little Egg Harbor, New Jersey, 08087.


 Thomas Norgard, Chairman
 Board of Fire Commissioners



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Independent Auditors' Report

Board of Fire Commissioners
Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey

We have audited the accompanying financial statements of the Little Egg Harbor Township Fire District No. 2, Ocean County, New Jersey as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Fire District's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits 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 and in compliance with the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Little Egg Harbor Township Fire District No. 2, Ocean County, New Jersey as of December 31, 2010 and 2009, and the results of its changes in fund balances for the years 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 July 5, 2011 on our consideration of the Little Egg Harbor Township Fire District No. 2, Ocean County, New Jersey internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report and considered in assessing the results of the audits.



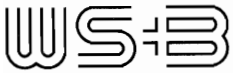
The Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual included in the contents of this report are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Certain limited procedures have been applied to the Management's Discussion and Analysis, primarily consisting of inquiries of management; however, we did not audit the information and express no opinion on it. The Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual and other schedules as listed in the table of contents as required by the Division of Local Government Services Department of Community Affairs, State of New Jersey have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audits have been made for the purpose of forming an opinion on the financial statements taken as a whole. The Statistical Information and Roster of Officials listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Ronald C. Petrics".

Ronald C. Petrics
Registered Municipal Accountant (#474)

July 5, 2011



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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
Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey

We have audited the financial statements of Little Egg Harbor Township Fire District No. 2 Ocean County, New Jersey as of and for the year ended December 31, 2010, and have issued our report thereon dated July 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, in compliance with the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, 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

The management of Little Egg Harbor Township Fire District No. 2 is responsible for establishing and maintaining effective internal control. In planning and performing our audit, we considered Little Egg Harbor Township Fire District No. 2's internal control over financial reporting as a basis for designing our audit 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 Little Egg Harbor Township Fire District No. 2's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Little Egg Harbor Township Fire District No. 2'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 significant deficiency, or combination of significant deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose 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 Little Egg Harbor Township Fire District No. 2, Ocean County, New Jersey financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 Board of Commissioners, others within the entity 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 those specified parties.

A handwritten signature in cursive script that reads "Ronald C. Petrics".

Ronald C. Petrics
Registered Municipal Accountant (#474)

July 5, 2011

Little Egg Harbor Township Fire District No. 2
County of Ocean
Statement of Net Assets and Governmental Funds Balance Sheet
December 31, 2010

	General Fund	Capital Fund	Total	Adjustments (Note 2)	Statement of Net Assets
Assets					
Petty cash	\$ 800	\$ -	\$ 800	\$ -	\$ 800
Cash	255,896	-	255,896	-	255,896
Due from Township of Little Egg Harbor	91,292	-	91,292	-	91,292
Prepaid expenses	22,804	-	22,804	-	22,804
Deferred to future LOSAP	11,084	-	11,084	-	11,084
Interfund receivable	-	240,278	240,278	(240,278)	-
Deferred charges to future taxation	-	238,275	238,275	(238,275)	-
Capital assets, net	-	-	-	491,080	491,080
Total assets	\$ 381,876	\$ 478,553	\$ 860,429	\$ 12,527	\$ 872,956
Liabilities					
Current liabilities:					
Accounts payable	\$ 24,368	\$ -	\$ 24,368	\$ -	\$ 24,368
Accrued expenses	8,160	-	8,160	-	8,160
Interfund payable	240,278	-	240,278	(240,278)	-
Improvement authorization	-	54,578	54,578	(54,578)	-
Capital lease payable - current	-	55,696	55,696	-	55,696
Total current liabilities	272,806	110,274	383,080	(294,856)	88,224
Other liabilities:					
Capital lease payable - long-term	-	182,579	182,579	-	182,579
Total liabilities	272,806	292,853	565,659	(294,856)	270,803
Fund Balances and Net Assets					
Fund balances:					
Reserved:					
Appropriation reserves	30,165	-	30,165	(30,165)	-
Unreserved:					
Designated for subsequent years' expenditures	48,000	-	48,000	(48,000)	-
Undesignated	30,905	185,700	216,605	(216,605)	-
Total fund balances	109,070	185,700	294,770	(294,770)	-
Total liabilities and fund balances	\$ 381,876	\$ 478,553	\$ 860,429		
Net Assets:					
Invested in capital assets, net of accumulated depreciation and related debt				252,805	252,805
Restricted for capital acquisitions				54,578	54,578
Unrestricted				294,770	294,770
Total net assets				\$ 602,153	\$ 602,153

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

Little Egg Harbor Township Fire District No. 2
County of Ocean
Statement of Net Assets and Governmental Funds Balance Sheet
December 31, 2009

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Assets</u>
Assets					
Petty cash	\$ 800	\$ -	\$ 800	\$ -	\$ 800
Cash	299,380	-	299,380	-	299,380
Due from Township of Little Egg Harbor	2,580	-	2,580	-	2,580
Prepaid expenses	22,259	-	22,259	-	22,259
Deferred to future LOSAP	16,784	-	16,784	-	16,784
Deferred charges to future taxation	-	327,208	327,208	(327,208)	-
Interfund receivable	-	190,278	190,278	(190,278)	-
Capital assets, net	-	-	-	562,709	562,709
Total assets	\$ 341,803	\$ 517,486	\$ 859,289	\$ 45,223	\$ 904,512
Liabilities					
Current liabilities:					
Accounts payable	\$ 14,817	\$ 35,635	\$ 50,452	\$ -	\$ 50,452
Accrued expenses	8,000	-	8,000	-	8,000
Interfund payable	190,278	-	190,278	(190,278)	-
Improvement authorization	-	130,278	130,278	(130,278)	-
Capital lease payable - current	-	53,298	53,298	-	53,298
Total current liabilities	213,095	219,211	432,306	(320,556)	111,750
Other liabilities:					
Capital lease payable - long term	-	238,275	238,275	-	238,275
Total liabilities	213,095	457,486	670,581	(320,556)	350,025
Fund Balances and Net Assets					
Fund balances:					
Reserved:					
Appropriation reserves	70,602	-	70,602	(70,602)	-
Unreserved:					
Designated for subsequent years' expenditures	48,000	-	48,000	(48,000)	-
Undesignated	10,106	60,000	70,106	(70,106)	-
Total fund balances	128,708	60,000	188,708	(188,708)	-
Total liabilities and fund balances	\$ 341,803	\$ 517,486	\$ 859,289		
Net Assets:					
Invested in capital assets, net of accumulated depreciation and related debt				235,501	235,501
Restricted for capital acquisitions				130,278	130,278
Unrestricted				188,708	188,708
Total net assets				\$ 554,487	\$ 554,487

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

Little Egg Harbor Township Fire District No. 2
County of Ocean
Statement of Activities and Governmental Fund Revenues, Expenditures,
And Changes in Fund Balances
Year Ended December 31, 2010

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures:					
Operating appropriations	\$ 350,735	\$ -	\$ 350,735	\$ (17,304)	\$ 333,431
Capital appropriation	50,000	-	50,000	(50,000)	-
	<u>400,735</u>	<u>-</u>	<u>400,735</u>	<u>(67,304)</u>	<u>333,431</u>
Revenues and other financing sources:					
General revenues:					
District taxes	380,170	-	380,170	-	380,170
Interest income	150	-	150	-	150
Miscellaneous income	777	-	777	-	777
Total general revenues	<u>381,097</u>	<u>-</u>	<u>381,097</u>	<u>-</u>	<u>381,097</u>
Transfers:					
Reserve for future capital outlays	-	50,000	50,000	(50,000)	-
Total transfers	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>
Total general revenues and transfers	<u>381,097</u>	<u>50,000</u>	<u>431,097</u>	<u>-</u>	<u>381,097</u>
Excess (deficit) of revenues and transfers over expenditures	(19,638)	50,000	30,362	(30,362)	-
Change in net assets	-	-	-	47,666	47,666
Fund balances/ net assets:					
Beginning of the year	128,708	60,000	188,708	365,779	554,487
Cancellation of improvement authorizations	-	75,700	75,700	(75,700)	-
End of year	<u>\$ 109,070</u>	<u>\$ 185,700</u>	<u>\$ 294,770</u>	<u>\$ 307,383</u>	<u>\$ 602,153</u>

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

Little Egg Harbor Township Fire District No. 2
County of Ocean
Statement of Activities and Governmental Fund Revenues, Expenditures,
And Changes in Fund Balances
Year Ended December 31, 2009

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures:					
Operating appropriations	\$ 309,798	\$ -	\$ 309,798	\$ 28,892	\$ 338,690
Capital appropriation	60,000	-	60,000	(60,000)	-
Total expenditures	369,798	-	369,798	(31,108)	338,690
Revenues and other financing sources:					
General revenues:					
District taxes	376,820	-	376,820	-	376,820
Supplemental fire services grant	2,580	-	2,580	-	2,580
Interest income	265	-	265	-	265
Miscellaneous income	10,920	-	10,920	-	10,920
Total general revenues	390,585	-	390,585	-	390,585
Transfers:					
Reserve for future capital outlays	-	60,000	60,000	(60,000)	-
Total transfers	-	60,000	60,000	(60,000)	-
Total general revenues and transfers	390,585	60,000	450,585	(60,000)	390,585
Excess of revenues and transfers over expenditures	20,787	60,000	80,787	(80,787)	-
Change in net assets	-	-	-	51,895	51,895
Fund balances/ net assets:					
Beginning of the year	107,921	-	107,921	394,671	502,592
End of year	<u>\$ 128,708</u>	<u>\$ 60,000</u>	<u>\$ 188,708</u>	<u>\$ 365,779</u>	<u>\$ 554,487</u>

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

Little Egg Harbor Township Fire District No. 2
Notes to Financial Statements
December 31, 2010 and 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The accounting policies of the Little Egg Harbor Township Fire District No. 2 (District) conform to the accounting principles applicable to special districts which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. For the years ended December 31, 2010 and 2009 the financial statements of the Little Egg Harbor Township Fire District No. 2 have been prepared in conformity with generally accepted accounting principles (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.

B. Reporting Entity

The district is an instrumentality of the State of New Jersey, established to function as a special district. The Board of Fire Commissioners consists of elected officials and is responsible for the fiscal control of the District.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the District over which the board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

C. Basis of Presentation

Combined Fund and Government-wide Financial Statements

As a special purpose governmental entity engaged in a single governmental program the District has opted to present its financial data in the form of combined fund and government-wide financial statements to simplify their annual financial reporting process.

The accounts of the district are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types". The District does not maintain any proprietary or fiduciary funds.

Governmental Fund Types

General Fund: The general fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund.

Capital Fund: The capital fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities.

In conformity with GASB 34, the District's combined fund and government-wide financial statements present adjustments to reconcile the general and capital fund balances to net assets.

Little Egg Harbor Township Fire District No. 2
Notes to Financial Statements
December 31, 2010 and 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Basis of Accounting

Fund Basis of Accounting

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its fire districts the entire balance of taxes in the amount voted upon or certified prior to the end of the year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

Government-wide Basis of Accounting

The government-wide statements are presented using the accrual basis of accounting. Under the full accrual basis, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

E. Budgets/Budgetary Control

Annual budgets are prepared each year for the operations of the fire districts. The budgets are approved by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The budgets are then voted upon by the public.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and the fund basis of accounting previously described. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at year end.

F. 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. Specific encumbrances in governmental funds are reported as liabilities at year end as they do not constitute expenditures or rather commitments related to unperformed contracts for goods and services.

The encumbered appropriation authority carries over into the following year. The balance of the unencumbered appropriations is recorded as a reserve to fund balance for unrecorded expenditures and commitments that pertain to the prior year. At the end of the following year, an entry will be made to fund balance for the unexpended appropriations of the prior year.

Little Egg Harbor Township Fire District No. 2
Notes to Financial Statements
December 31, 2010 and 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Fixed Assets

In the fund financial statements, fixed assets used in governmental operations are accounted for as expenditures of the government fund upon acquisition.

In the government-wide basis of accounting, fixed assets are accounted for as capital assets. The District generally capitalizes assets with a cost of \$1,000 or more as outlays occur. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable.

Depreciation of all fixed assets is recorded as an operating expense in the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances with accumulated depreciation reflected in the Statement of Net Assets and Governmental Funds Balance Sheet. Depreciation is provided over the assets' estimated useful lives using the straight line method of depreciation, generally 5-7 years for firefighting equipment and general purpose vehicles and 12 years for fire fighting vehicles.

H. Interfund Transactions and Balances

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Transfers between the general and capital fund of the District net to zero on the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those loans are reported as interfund receivables and payables on the fund basis of accounting. Interfund payables and receivables between funds are eliminated in the Statement of Net Assets and Governmental Funds Balance Sheet.

I. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund. For long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

J. Fund Equity

Fund Basis

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

Government-wide Basis

Equity is classified as net assets and is displayed in three components:

- a. Invested in capital assets, net – Consists of capital assets, net of accumulated depreciation and related debt.
- b. Restricted for capital acquisitions – Current balance consists of net assets restricted to the acquisition of a fire truck
- c. Unrestricted net assets – All net assets that do not meet the definition of "restricted" or "invested in capital assets, net".

2. ADJUSTMENTS TO ARRIVE AT NET ASSETS

A. Interfund Receivables and Payables

For the years ended December 31, 2010 and 2009 interfund receivables and payables in the amount of \$240,278 and \$190,278, respectively, have been eliminated in arriving at the government-wide presentation.

See Independent Auditors' Report.

Little Egg Harbor Township Fire District No. 2
Notes to Financial Statements
December 31, 2010 and 2009

2. ADJUSTMENTS TO ARRIVE AT NET ASSETS (CONTINUED)

B. Capital Assets – Net

For the years ended December 31, 2010 and 2009 capital assets, net in the amount of \$491,080 and \$562,709 have been included in the government-wide presentation.

C. Fund Balances, Unrestricted Net Assets, and Net Assets Restricted for Capital Acquisitions

For the year ended December 31, 2010 fund balances in the amount of \$294,770 have been eliminated. Unrestricted net assets in the amount of \$294,770, and net assets restricted for capital acquisitions in the amount of \$54,578 have been included in the government-wide presentation.

For the year ended December 31, 2009 fund balances in the amount of \$188,708 have been eliminated. Unrestricted net assets in the amount of \$188,708, and net assets restricted for capital acquisitions in the amount of \$130,278 have been included in the government-wide presentation.

D. Improvement Authorizations:

Improvement authorizations, which are liabilities that represent the District's earmarking of fund balance for a specified future project, do not represent liabilities as defined by U.S. generally accepted accounting principles. Therefore, for the years ended December 31, 2010 and 2009 improvement authorizations in the amount of \$54,578 and \$130,278, respectively, have been eliminated in arriving at the government-wide presentation.

E. Deferred Charges to Future Taxation

For the years ended December 31, 2010 and 2009 amounts to be provided for retirement of debt in the amount of \$238,275 and \$327,208, respectively, have been eliminated in arriving at the government-wide presentation.

3. ADJUSTMENTS TO ARRIVE AT THE CHANGE IN NET ASSETS

A. Operating Appropriations

For the year ended December 31, 2010 depreciation expense in the amount of \$86,675 has been included in the government-wide presentation. Additionally, to account for fixed asset purchases expensed under the fund basis of accounting, non-bondable assets account has been decreased by \$50,681, and principal payments on capital leases have been decreased by \$53,298. The net effect on operating appropriations is a decrease of \$17,304.

For the year ended December 31, 2009 depreciation expense in the amount of \$98,136 has been included in the government-wide presentation. Additionally, to account for fixed asset purchases expensed under the fund basis of accounting, non-bondable assets account has been decreased by \$18,240, and principal payments on capital leases have been decreased by \$51,004. The net effect on operating appropriations is an increase of \$28,892.

B. Capital Appropriations

For the years ended December 31, 2010 and 2009, reserve for future capital outlays has been reduced by \$50,000 and \$60,000, respectively, on the government-wide presentation to eliminate the general fund expenditure and capital fund revenue related to the creation of improvement authorizations.

4. DEPOSITS AND INVESTMENTS

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 agency of the United States that insures deposits or the State of New Jersey Cash Management Fund. New Jersey

Little Egg Harbor Township Fire District No. 2
Notes to Financial Statements
December 31, 2010 and 2009

4. DEPOSITS AND INVESTMENTS (CONTINUED)

statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5 percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent. All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. The State of New Jersey Cash Management fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which mature within one year. Collateralization of fund investments is generally not required.

The cash on deposit is partially insured by federal deposit insurance in the amount of \$250,000 in each depository. Balances above the federal deposit insurance amount are insured by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., which insures all New Jersey governmental units' deposits in excess of the federal deposit insurance maximums. Cash determined by the Board of Commissioners, consists of all bank accounts including certificates of deposits.

Investments

New Jersey statutes establish the following securities as eligible for the investment of District funds:

- (a) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (b) Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Associates or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- (c) 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.
- (d) Bonds or other obligations, having a maturity date of not more than twelve months from the date of purchase that are approved by the New Jersey Department of Treasury Division of Investments.
- (e) Qualified mutual funds with portfolios limited to (i) bonds or other obligations of, or guaranteed by, the United States of America; and (ii) repurchase agreements fully collateralized by such obligations. These investments must be transacted only through national or state banks located within New Jersey.

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.

As of December 31, 2010 and 2009 the District's cash accounts consisted of:

	<u>2010</u>	<u>2009</u>
Wachovia Bank – Checking	\$ 255,896	\$ 299,380
Petty Cash	800	800
Total Cash	<u>\$ 256,696</u>	<u>\$ 300,180</u>

See Independent Auditors' Report.

Little Egg Harbor Township Fire District No. 2
Notes to Financial Statements
December 31, 2010 and 2009

4. DEPOSITS AND INVESTMENTS (CONTINUED)

The carrying amount of the Board's cash and cash equivalents at December 31, 2010 was \$256,696 and the bank balance was \$255,896. Of the balance, \$250,000 was covered by federal depository insurance and \$5,896 was covered by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., for all New Jersey governmental units' deposits in excess of the federal deposit maximums.

The cash deposits held at financial institutions can be categorized according to three levels of risk as described below:

Category 1	Deposits which are covered by FDIC, or collateralized by securities held by the District or its agent, in the district's name	\$ 250,000
Category 2	Deposits which are collateralized with securities held by the pledging financial institution's trust department, or Agent in the District's name	5,896
Category 3	Deposits which are not collateralized or insured.	800

5. ASSESSMENT AND COLLECTION OF MONEY AUTHORIZED BY VOTERS

Upon proper certification pursuant to Section 9 of P.L. 1979 c. 453 (C.40[A]:14-78.5), the assessor of the municipality, in which the fire district is situate, shall assess the amount to be raised by taxation to support the district budget against the taxable property therein, in the same manner as municipal taxes are assessed and the same amount shall be assessed, levied and collected at the same time and in the same manner as other municipal taxes.

The collector or treasurer of the municipality, in which said district is situate, shall pay over all moneys so assessed to the treasurer or custodian of funds of said fire district as follows; on or before April 1, an amount equaling 21.25% of all moneys so assessed; on or before July 1, an amount equaling 22.5% of all monies so assessed; on or before October 1, an amount equaling 25% of all monies so assessed; and on or before December 31, an amount equaling the difference between the total of all monies so assessed and the total amount of such monies previously paid over, to be held and expended for the purpose of providing and maintaining means for extinguishing fires in such district.

Notwithstanding anything herein to the contrary, the municipal governing body may authorize, in the cash management plan adopted by it pursuant to N.J.S. 40A:5-14, a schedule of payments of fire districts moneys by which an amount greater than required on any of the first three payment dates cited herein may be paid over. The municipal governing body and board of fire commissioners may, by concurrent resolution, adopt a schedule of payments of fire district moneys by which an amount less than required in any of the first three payment dates, cited herein may be paid over. Such resolution shall be included in the cash management plan adopted by the municipal governing body pursuant to N.J.S. 40A:5-14.

The commissioners may also pay back, or cause to be paid back to such municipality, any funds or any part thereof paid to the treasurer or custodian of funds of such fire district by the collector or treasurer of the municipality, representing taxes levied for fire district purposes but not actually collected in cash by said collector or treasurer.

Little Egg Harbor Township Fire District No. 2
Notes to Financial Statements
December 31, 2010 and 2009

6. FUNDING

The activities of the Little Egg Harbor Township Fire District No. 2 are primarily funded by the striking of a fire tax on the property owners of the Fire District, as provided for by state statute. For the years ended December 31, 2010 and 2009, the fire tax rate on Fire District No. 2 was \$.031 and \$.027, respectively, per \$100 of assessed valuation. The District also participates in the Supplemental Fire Services Program and only received a basic entitlement grant of approximately \$2,600 in 2009.

7. LONG-TERM DEBT

Capital Lease

In November 3, 2006, the District entered into an agreement with Kansas State Bank of Manhattan to finance the purchase of one new elite tanker/pumper from Elite Fire Apparatus. The financed amount for this truck is \$449,211. First payment was made in 2007.

The District's balance of long-term lease as of December 31, 2010 was \$238,275.

Future debt service requirements for capital leases are as follows:

<u>Fiscal Year</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal Balance</u>
2011	\$ 66,416	\$ 10,720	\$ 55,696	\$ 182,579
2012	66,416	8,214	58,202	124,377
2013	66,416	5,596	60,820	63,557
2014	66,416	2,859	63,557	-
Total	<u>\$ 265,664</u>	<u>\$ 27,389</u>	<u>\$ 238,275</u>	

8. CAPITAL ASSETS

The following schedule is a summarization of the capital assets by source for the year ended December 31, 2010:

	<u>Balance As Of December 31, 2009</u>	<u>Transfer-in/ Additions</u>	<u>Transfer-out/ Disposals</u>	<u>Balance As Of December 31, 2010</u>
Apparatus	\$ 146,251	\$ -	\$ -	\$ 146,251
Equipment	365,869	16,813	-	382,682
Vehicles	1,692,513	35,635	16,000	1,712,148
Construction In Progress	<u>37,402</u>	<u>-</u>	<u>37,402</u>	<u>-</u>
	<u>\$ 2,242,035</u>	<u>\$ 52,448</u>	<u>\$ 53,402</u>	<u>\$ 2,241,081</u>
Accumulated Depreciation	<u>\$ 1,679,326</u>	<u>\$ 86,675</u>	<u>\$ 16,000</u>	<u>\$ 1,750,001</u>

Depreciation expense for the years ended December 31, 2010 and 2009 amounted to \$86,675 and \$98,136, respectively.

Little Egg Harbor Township Fire District No. 2
Notes to Financial Statements
December 31, 2010 and 2009

9. RELATED PARTIES

The Board of Fire Commissioners is comprised of five elected officials. All five of the Commissioners are members of the Mystic Island Volunteer Fire Company. One of the Commissioners is the Chief of the fire company. The District has two agreements with the fire company. One is a Fire Protection Service Agreement. In this agreement the District paid the fire company \$70,000 for the fire company to provide personnel for firematic and other emergency services. In the second agreement, the District paid the fire company approximately \$32,000 to rent the firehouse and fire apparatus owned by the fire company.

10. RISK MANAGEMENT

The District is exposed to various risks of loss related to limited torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

11. LOSAP

The District maintains a LOSAP (Length of Service Awards Program) plan. The plan is considered to be a deferred compensation plan for volunteers and the contribution is not based on compensation. New Jersey Statutes set the contribution limits. The contributions for 2010 and 2009 were \$18,400 and \$18,400, respectively.

12. ADVERTISING

Advertising costs are expensed as incurred and approximated \$600 and \$500 for the years ended December 31, 2010 and 2009, respectively.

13. SUBSEQUENT EVENTS

The District has evaluated subsequent events occurring after December 31, 2010 through the date of July 5, 2011, which is the date the financial statements were available to be issued. Based on this evaluation, the District has determined that no subsequent events have occurred which require disclosure in the financial statements.

Little Egg Harbor Township Fire District No. 2
 County of Ocean
 Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual- All Governmental Fund Types
 Year Ended December 31, 2010

	Governmental Fund Type		Total Actual Amounts		Budgeted Amounts		Budgetary Variance
	General Fund	Capital Fund	Budgetary Basis	Adjustments Note B	Original	Final	
Revenues:							
District taxes	\$ 380,170	\$ -	\$ 380,170	\$ -	\$ 380,170	\$ 380,170	\$ -
Supplemental fire services grant	-	-	-	-	2,580	2,580	(2,580)
Interest income	150	-	150	-	150	150	-
Surplus anticipated unreserved	-	-	-	-	48,000.00	48,000.00	(48,000)
Gain on sale of asset	777	-	777	-	-	-	777
Total revenues	381,097	-	381,097	-	430,900	430,900	(49,803)
Transfers:							
Reserve for future capital outlays	-	50,000	50,000	(50,000)	-	-	50,000
Total transfers	-	50,000	50,000	(50,000)	-	-	50,000
Total general revenues and transfers	381,097	50,000	431,097	(50,000)	430,900	430,900	197
Expenditures:							
Operating appropriations:							
Administration:							
Election	1,552	-	1,552	-	1,400	1,552	-
Office services	2,000	-	2,000	-	2,000	2,000	-
Office supplies	2,007	-	2,007	-	4,000	4,000	1,993
Professional services	17,918	-	17,918	-	20,000	20,000	2,082
Travel expenses	3,851	-	3,851	-	5,000	5,000	1,149
Total administration	27,328	-	27,328	-	32,400	32,552	5,224
Operations and maintenance							
Fringe benefits:							
LOSAP	23,000	-	23,000	-	23,000	23,000	-
Employee benefits	13,211	-	13,211	-	18,000	18,000	4,789
Total fringe benefits	36,211	-	36,211	-	41,000	41,000	4,789

See Independent Auditors' Report.
 The accompanying Notes to Required Supplementary Information are an integral part of this schedule.

**Little Egg Harbor Township Fire District No. 2
County of Ocean
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual- All Governmental Fund Types
Year Ended December 31, 2010**

	Governmental Fund Type		Total Actual Amounts		Budgeted Amounts		Budgetary Variance	
	General Fund	Capital Fund	Budgetary Basis	Adjustments Note B	GAAP Basis	Original		Final
Other expenses:								
Advertising	622	-	622	-	622	3,000	3,000	2,378
Insurance	25,337	-	25,337	-	25,337	27,000	27,000	1,663
Maintenance and repairs	17,975	-	17,975	-	17,975	40,000	40,000	22,025
Membership and dues	410	-	410	-	410	1,000	848	438
Non-bondable assets	61,421	-	61,421	(50,681) (1)	10,740	34,000	34,000	(27,421)
Supplies expense	50	-	50	-	50	500	500	450
Training and education	2,987	-	2,987	-	2,987	8,000	8,000	5,013
Uniforms - clothing and equipment	556	-	556	-	556	7,000	7,000	6,444
Utilities	8,426	-	8,426	-	8,426	15,000	15,000	6,574
Fire protection services	70,000	-	70,000	-	70,000	70,000	70,000	-
Lease principal	53,298	-	53,298	(53,298) (1)	-	53,299	53,299	1
Interest expense	13,118	-	13,118	-	13,118	13,118	13,118	-
Other rentals	32,996	-	32,996	-	32,996	35,583	35,583	2,587
Depreciation expense	-	-	-	86,675 (1)	86,675	-	-	-
Total other expenses	287,196	-	287,196	(17,304)	269,892	307,500	307,348	20,152
Total operations and maintenance	323,407	-	323,407	(17,304)	306,103	348,500	348,348	24,941
Total operating appropriations	350,735	-	350,735	(17,304)	333,431	380,900	380,900	30,165
Capital appropriations:								
Reserve for future capital outlays	50,000	-	50,000	(50,000)	-	50,000	50,000	-
Total capital appropriations	50,000	-	50,000	(50,000)	-	50,000	50,000	-
Total expenditures	400,735	-	400,735	(67,304)	333,431	430,900	430,900	30,165
Excess (deficit) of revenue and transfers over expenditures	(19,638)	50,000	30,362	17,304	47,666	\$ -	\$ -	\$ 30,362
Fund balances, beginning of the year	128,708	60,000	188,708	365,779 (2)	554,487			
Cancellation of improvement authorizations	-	75,700	75,700	(75,700) (3)	-			
Fund balances, end of the year	\$ 109,070	\$ 185,700	\$ 294,770	\$ 307,383	\$ 602,153			

See Independent Auditors' Report.

The accompanying Notes to Required Supplementary Information are an integral part of this schedule.

Little Egg Harbor Township Fire District No. 2
Notes to Required Supplementary Information
Years Ended December 31, 2010 and 2009

NOTE A BUDGETARY BASIS OF ACCOUNTING

There are no substantial differences between the District's budgetary basis of accounting and the fund basis of accounting described below.

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its fire districts the entire balance of taxes in the amount voted upon or certified prior to the end of the year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

NOTE B BUDGETARY-TO-GAAP RECONCILIATION

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

	<u>Change in Fund Balance</u>
(1) Principal debt payments are reported as budgetary expenditures in the year payment is made. For GAAP purposes debt payments are not expenses, but are applied toward the reduction of debt.	\$ 53,298
Depreciation expense is not recorded on the budgetary basis of accounting. For GAAP purposes, capitalized assets are depreciated on a straight line basis over their respective useful lives.	(86,675)
Encumbrances for fixed asset purchases are reported as expenses in the year the orders are placed for budgetary purposes. For GAAP purposes, these purchases are capitalized in the year received.	<u>50,681</u>
Net increase in fund balance- budget to GAAP	17,304
(2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the District's budget. (See Note A for a description of the District's budgetary accounting method.) This amount differs from the fund balance reported in the statement of revenues, expenditures and changes in fund balances because of the cumulative effect of transactions such as those described above.	365,779
(3) Cancellation of improvement authorizations are reported as increases to capital fund balance. For GAAP purposes, the cancellation, are not recognized.	<u>(75,700)</u>
	<u>\$ 307,383</u>

See Independent Auditors' Report.

Little Egg Harbor Township Fire District No. 2
Notes to Required Supplementary Information
Years Ended December 31, 2010 and 2009

NOTE C BUDGET CANCELLATION

Regulations allow the District to cancel unexpended appropriations before year end by resolution. During the year ended December 31, 2010, the District did not cancel any of appropriations resulting in a reservation of fund balance as follows:

Adopted budget	\$ 430,900
Expenditures	<u>400,735</u>
Favorable variance	30,165
Canceled	<u>-</u>
Fund balance reserve	<u>\$ 30,165</u>

Little Egg Harbor Township Fire District No. 2
County of Ocean
Schedule of Deferred Charges to Future Taxation - Capital Fund
Year Ended December 31, 2010

Purpose	Balance December 31, 2009	2010 Budget Appropriation	Balance December 31, 2010
Lease - 2007 Tanker/Pumper	\$ 291,573	\$ 53,298	\$ 238,275
2010 Ford Expedition - Command Vehicle	35,635	35,635	-
	<u>\$ 327,208</u>	<u>\$ 88,933</u>	<u>\$ 238,275</u>

Little Egg Harbor Township Fire District No. 2
County of Ocean
Schedule of Deferred Charges to Future Taxation - Capital Fund
Year Ended December 31, 2009

Purpose	Balance December 31, 2008	2009 Deferred	2009 Budget Appropriation	Balance December 31, 2010
Lease - 2007 Tanker/Pumper	\$ 342,576	\$ -	\$ 51,003	\$ 291,573
2010 Ford Expedition - Command Vehicle	-	35,635	-	35,635
	<u>\$ 342,576</u>	<u>\$ 35,635</u>	<u>\$ 51,003</u>	<u>\$ 327,208</u>

Little Egg Harbor Township Fire District No. 2
County of Ocean
Schedule of Improvement Authorizations - Capital Fund
Year Ended December 31, 2010

Purpose	Authorized Appropriation		Balance December 31, 2009	2010 Authorization Provided	2010 Expenditures	2010 Canceled	Balance December 31, 2010
	Date	Amount					
Tanker/Pumper	2/18/95	\$ 450,000	\$ 130,278	\$ -	\$ -	\$ 75,700	\$ 54,578

Little Egg Harbor Township Fire District No. 2
County of Ocean
Schedule of Improvement Authorizations - Capital Fund
Year Ended December 31, 2009

Purpose	Authorized Appropriation		Balance	2009	2009	2009	Balance
	Date	Amount	December 31, 2008	Authorization Provided	Expenditures	Cancelled	December 31, 2009
Tanker/Pumper	2/18/95	\$ 450,000	\$ 130,278	\$ -	\$ -	\$ -	\$ 130,278

Little Egg Harbor Township Fire District No. 2
County of Ocean
Schedule of Unreserved Undesignated Fund Balance - Capital Fund
Year Ended December 31, 2010

Purpose	Balance December 31, 2009	2010 Budget RFFCO*	2010 Cancellation of Unexpended Impr. Author.	Balance December 31, 2010
Apparatus	\$ 60,000	\$ 50,000	\$ -	\$ 110,000
Tanker/Pumper	-	-	75,700	75,700
Total	<u>\$ 60,000</u>	<u>\$ 50,000</u>	<u>\$ 75,700</u>	<u>\$ 185,700</u>

* RFFCO - Reserve for Future Capital Outlays
 See Independent Auditors' Report.

Little Egg Harbor Township Fire District No. 2
County of Ocean
Schedule of Unreserved Undesignated Fund Balance - Capital Fund
Year Ended December 31, 2009

Purpose	Balance December 31, 2008	2009 Budget RFFCO*	2009 Cancellation of Unexpended Impr. Author.	Balance December 31, 2009
Apparatus	\$ -	\$ 60,000	\$ -	\$ 60,000

* RFFCO - Reserve for Future Capital Outlays
 See Independent Auditors' Report.

Little Egg Harbor Township Fire District No. 2
Statistical Information
Years Ended December 31, 2010 and 2009

Property Tax Levies

The following is a tabulation of district assessed valuations, tax levies and property tax rates per \$100 of assessed valuations for the current and preceding seven (7) years:

<u>Fiscal Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2003	\$ 438,847,439	\$ 300,000	\$ 0.074
2004	454,691,749	319,820	0.071
2005	466,640,030	317,720	0.069
2006 (revaluation)	1,401,787,839	359,170	0.026
2007	1,403,371,876	362,420	0.026
2008	1,407,131,328	376,916	0.027
2009	1,412,434,487	376,820	0.027
2010	1,246,134,463	380,170	0.031

Unreserved Fund Balance – General Fund

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
December 31, 2003	\$ 72,599	\$ 65,000
December 31, 2004	152,759	35,000
December 31, 2005	94,798	100,200
December 31, 2006	3,622	20,000
December 31, 2007	95,681	17,904
December 31, 2008	79,089	60,000
December 31, 2009	58,106	48,000
December 31, 2010	78,905	48,000

Unreserved Fund Balance – Designated - Capital Fund

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
December 31, 2002	\$ 102,180	\$ -
December 31, 2003	4,578	-
December 31, 2004	24,578	24,578
December 31, 2005	-	-
December 31, 2006	-	-
December 31, 2007	-	-
December 31, 2008	-	-
December 31, 2009	60,000	-
December 31, 2010	185,700	-

See Independent Auditors' Report.

Little Egg Harbor Township Fire District No. 2
Roster of Officials
Years Ended December 31, 2010 and 2009

<u>Board of Commissioners</u>	<u>Position</u>	<u>Amount of Surety Bond*</u>
Thomas Norgard	Chairman	\$ 250,000*
Michael Caronia	Vice Chairman	250,000*
Russell Gulbert	Treasurer	250,000*
Christine Gilton	Secretary	250,000*
William Maguire	Commissioner	250,000*

Other Official

Richard M. Braslow Board Attorney

* Blanket Bond Coverage

Surety Company

Volunteer Firemen's Insurance Services, Inc.

**Little Egg Harbor Township Fire District No. 2
Comments and Recommendations
Years Ended December 31, 2010 and 2009**

Scope of Examination and Conditions of Records

Our examination covered the funds of the Board of Fire Commissioners, Fire District No 2, Township of Little Egg Harbor handled by the Treasurer and Board Bookkeeper.

The Financial records were maintained in good condition.

Minutes of Board meetings were properly maintained by the Board Bookkeeper.

Cash in Banks

The balance in bank at December 31, 2010 was reconciled with statements issued by the depositories.

Examination of Claims

Claims paid during the period under review were examined on a test basis to determine that they are submitted on Board vouchers, itemized, signed by the officials as to approval for payment, allocated to the proper accounts and charged to the proper fiscal period, and in agreement with bill list set forth in the approved minutes of the Board.

The District's four (5) Commissioners do not receive a fee for meeting attendance during the year.

Contracts and Agreements Required to be Advertised

For N.J.S. 40A:11-4

N.J.S. 40A:11-4 states, "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding the aggregate of \$21,000 except by contract or agreement". The bid threshold increased to \$26,000 on July 1, 2010 and decreased to \$17,500 on January 1, 2011.

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

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

Miscellaneous

An exit conference was held in accordance with the generally accepted governmental auditing standards.

Acknowledgment

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

Recommendations

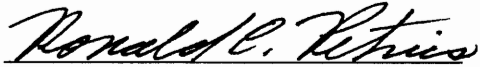
None.

See Independent Auditors' Report.

**Little Egg Harbor Township Fire District No. 2
Comments and Recommendations
Years Ended December 31, 2010 and 2009**

The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Respectfully submitted,



Ronald C. Petrics
Registered Municipal Accountant #474

For the Firm
WithumSmith+Brown

**Little Egg Harbor Township Fire District No. 2
Schedule of Findings and Recommendations
Years Ended December 31, 2010 and 2009**

Schedule of Financial Statement Findings

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

Material Weaknesses

None

**Little Egg Harbor Township Fire District No. 2
Schedule of Prior Year Findings and Recommendations
Years Ended December 31, 2010 and 2009**

Schedule of Prior Year Financial Statement Findings

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

Material Weaknesses

None