

**DEPTFORD FIRE DISTRICT NO. 1**  
**REPORT OF AUDIT**  
**YEAR ENDED DECEMBER 31, 2010**

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

**ROSTER OF OFFICIALS**

**FIRE DISTRICT MEMBERS**

Michael White  
Joseph Nilsen  
Raymond MacKay  
George Frank  
Robert Sheairs

**POSITION**

Chairman  
Secretary  
Treasurer  
Commissioner  
Commissioner

**OTHER OFFICIALS**

Donna Scally  
  
Peter Frattarelli Esq.

Clerk of the Board/  
Administrative Secretary, Clerk of Elections  
Solicitor

## **FINANCIAL SECTION**

# PETRONI & ASSOCIATES LLC

Certified Public Accountants • Registered Municipal Accountants  
21 W. High Street • P.O. Box 279 • Glassboro, NJ 08028  
(856) 881-1600 • Fax (856) 881-6860

MEMBER: AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

Nick L. Petroni, CPA, RMA

Mary A. Carey, RMA  
Wendy G. Fama, CPA  
Denise R. Nevico, CPA  
Deanna L. Roller, CPA, RMA

## **INDEPENDENT AUDITOR'S REPORT**

Honorable Chairman and Members  
of the Fire District  
Deptford Fire District No. 1  
1370 Delsea Drive  
Deptford, New Jersey 08096

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Deptford Fire District No. 1, in the County of Gloucester, State of New Jersey as of and for the year ended December 31, 2010, which collectively comprise the Fire District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Deptford Fire District No. 1 management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Deptford Fire District No. 1 as of December 31, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2011 on our consideration of the Deptford Fire District No. 1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule listed in the index be present 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 historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which, consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Deptford Fire District No. 1's financial statements as a whole. The accompanying introductory section and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

PETRONI & ASSOCIATES LLC



Nick L. Petroni  
Certified Public Accountant  
Registered Municipal Accountant #252

March 25, 2011

**REQUIRED SUPPLEMENTARY INFORMATION – PART I**

**DEPTFORD FIRE DISTRICT NO. 1**  
**DEPTFORD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(Unaudited)**

**INTRODUCTION**

The Deptford Township Board of Fire Commissioners for Fire District No. 1, hereinafter referred to as the "District" is pleased to present the Annual Financial Report developed in accordance with State of Governmental Accounting Standard No. 34 entitled, "Basic Financial Statement-Management's Discussion and Analysis-For State & Local Governments" (hereinafter "G.A.S.B. 34") and related standards.

**MISSION**

The mission of the District is to provide world class fire prevention and service to the residents of the District and the region *via* creative and efficient use of the District's human, technical, and financial resources.

**RESPONSIBILITY AND CONTROL**

The District has prepared and is responsible for, the financial statements and related information in this report. The opinion of the independent auditors, Petroni & Associates LLC, is included in this report. In management's opinion the financial statements represent fairly and in all material aspects, financial position and results of operations of the District for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has met the requirements of the General Bond Resolution and the following provides the management's analysis of the District's financial condition for the year. This information should be read in conjunction with the financial statement.

**SUMMARY OF ORGANIZATION AND BUSINESS**

The Deptford Fire District is a taxing authority charged with the duty to prevent and extinguish fires and regulate fire hazards, (N.J.S.A. 40A:14-81).

The District was created for the purpose of fire suppression and prevention and operating a fire department for said purpose. The District's responsibilities are carried out by a combination of full-time paid professional firefighters (four volunteer battalion chiefs, one full-time Fire Inspector, one Fire Marshall, one administrative clerk, one clerk-typist and eighteen fire fighters) as well as a large volunteer force.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(Unaudited)**

**MANAGEMENT OVERSIGHT**

The Deptford Board of Fire Commissioners consists of five board members who are elected by the residents of Deptford for 3 years in alternate time periods.

**DESCRIPTION OF THE FIRE SUPPRESSIONS AND PREVENTION SERVICES PROVIDED**

The District's responsibilities are carried out under the operational direction of four volunteer battalion chiefs. The Chief's oversee the District's entire operation that includes, one full-time paid inspector and one full-time paid Fire Marshall. The District is proactive in diligently conducting fire inspections of the Township's commercial buildings, enforcing the fire code, and seeing that violations are corrected either via Court Order or through collaborative efforts with the community.

The District utilizes seven stations located throughout the community in order to permit an efficient and prompt response to any fire hazard. Continuing training of all personnel is mandated for the District's firefighters making them a highly regarded fire fighting force in the county.

**FINANCIAL HIGHLIGHTS**

**Deptford Fire District No. 1's Net Assets**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Assets</b>				
Current and Other Assets	3,582,453	3,122,971	2,750,110	2,221,631
Capital Assets	4,040,953	4,291,142	3,883,061	4,080,625
<b>Total Assets</b>	<b><u>7,623,406</u></b>	<b><u>7,414,113</u></b>	<b><u>6,633,171</u></b>	<b><u>6,302,256</u></b>
<b>Liabilities</b>				
Long-term liabilities	1,306,925	1,664,981	2,000,949	2,319,355
Non-current liabilities	350,000	325,000	325,000	285,000
Other liabilities	379,941	299,063	140,040	194,535
<b>Total Liabilities</b>	<b><u>2,036,866</u></b>	<b><u>2,289,044</u></b>	<b><u>2,465,989</u></b>	<b><u>2,798,890</u></b>
<b>Net Assets</b>				
Invested in Capital Assets				
Net of Related Debt	2,625,953	2,551,142	1,818,061	1,730,625
Restricted	1,733,866	1,457,932	1,754,321	1,346,095
Unrestricted	1,226,721	1,115,995	594,800	426,646
<b>Total Net Assets</b>	<b><u>5,586,540</u></b>	<b><u>5,125,069</u></b>	<b><u>4,167,182</u></b>	<b><u>3,503,366</u></b>

**DEPTFORD FIRE DISTRICT NO. 1**  
**DEPTFORD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(Unaudited)**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

The Fire District's combined net assets on December 31, 2010 and 2009, were \$5,586,540 and \$5,125,069 respectively. This was an increase of \$461,471.

The tax rate was \$.241 in 2010 and \$.23 in 2009 per \$100 of assessed valuation.

The budget utilized \$250,000 in 2010 and \$184,176 in 2009. This was an increase of \$65,824.

The budget for debt service was \$383,500 in 2010 compared to \$394,063 in 2009. This was a decrease of \$10,563 for the bond issue approved in 2004.

**Deptford Fire District No. 1's Budgetary Comparison**

	<u>2010</u>	<u>2011</u>	<u>Increase</u>
	<u>Actual</u>	<u>Budget</u>	<u>(Decrease)</u>
<b>Revenues:</b>			
Fund Balance	250,000	675,804	425,804
Miscellaneous Revenue	335,244	181,460	(153,784)
Amount to be Raised by Taxation	<u>4,179,570</u>	<u>4,174,117</u>	<u>(5,453)</u>
Total Revenues	<u>4,764,814</u>	<u>5,031,381</u>	<u>266,567</u>
<b>Appropriations</b>			
Administration	609,129	778,276	169,147
Operations	2,819,188	2,909,426	90,238
Appropriations Off-set with Revenue			
Fire Marshall's Office	<u>172,604</u>	<u>224,088</u>	<u>51,484</u>
Total Operating Appropriations	<u>3,600,921</u>	<u>3,911,790</u>	<u>310,869</u>
<b>Other Appropriations</b>			
Length of Service Award Program	75,000	75,000	
Capital Appropriations	325,000	646,816	321,816
Debt Service	<u>383,500</u>	<u>397,775</u>	<u>14,275</u>
Total Other Appropriations	<u>783,500</u>	<u>1,119,591</u>	<u>336,091</u>
Total Appropriations	<u>4,384,421</u>	<u>5,031,381</u>	<u>646,960</u>

**DEPTFORD FIRE DISTRICT NO. 1**  
**DEPTFORD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(Unaudited)**

**Deptford Fire District No. 1's Changes in Net Assets**  
**Changes in Net Assets**

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>
<b>Revenues</b>			
Program Revenue			
Operating Grants	9,455	12,277	(2,822)
General Revenue			
Property Tax Revenue	4,179,570	4,151,001	28,569
Grants & Entitlements	75,959	70,663	5,296
Other	173,991	494,687	(320,696)
Loss on Disposal of Assets		(2,875)	2,875
Total Revenue	<u>4,438,975</u>	<u>4,725,753</u>	<u>(286,778)</u>
<b>Expenses</b>			
Administrative	613,616	612,411	1,205
Cost of Operations & Maintenance	2,674,493	1,948,393	726,100
Fire Marshall's Office	176,314		176,314
Length of Service Award Program	75,000	75,000	
Interest on Debt	58,500	69,063	(10,563)
Capital Outlay	950	712,213	(711,263)
Unallocated Depreciation	378,631	350,787	27,844
Total Expenses	<u>3,977,504</u>	<u>3,767,867</u>	<u>209,637</u>
Increase (Decrease) in Net Assets	<u>461,471</u>	<u>957,886</u>	<u>(496,415)</u>

**Capital Assets**

The Deptford Fire District investment in capital assets for its governmental activities as of December 31, 2010 and 2009, were \$4,040,953 and \$4,291,142 (net of accumulated depreciation) respectively. This investment in capital assets includes buildings, equipment and furniture (more detailed information about capital assets can be found in Note 3 to the financial statements).

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Buildings & Improvements	113,578	117,481
Vehicles & Equipment	3,927,375	4,173,661
	<u>4,040,953</u>	<u>4,291,142</u>

**DEPTFORD FIRE DISTRICT NO. 1**  
**DEPTFORD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(Unaudited)**

**Long-Term Debt**

At December 31, 2010 and 2009, the District had \$1,415,000 and \$1,740,000 in general obligation bonds outstanding respectively.

**Final Comments**

The District has budgeted its expenses and revenues conservatively in the past and will continue to do so in the future. Maintaining or lowering tax rates while providing quality service are the primary goals of the District. Constant internal monitoring of financial data ensures that these goals can be met.

**Contacting the District**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have any questions about this report or need additional financial information, contact the Board, Deptford Fire District, 1370 Delsea Drive, Deptford, NJ 08096.

## **BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS**

DEPTFORD FIRE DISTRICT NO. 1  
STATEMENT OF NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Governmental Activities	
	2010	2009
<u>ASSETS</u>		
Cash and Cash Equivalents	2,498,587	2,327,439
Restricted Cash and Cash Equivalents	1,083,866	795,532
Capital Assets, Net	4,040,953	4,291,142
Total Assets	<u>7,623,406</u>	<u>7,414,113</u>
<u>LIABILITIES</u>		
Accounts Payable	346,877	267,179
Other Payables	17,340	13,472
Payroll Taxes Payable	15,724	18,412
Noncurrent Liabilities:		
Due Within One Year	350,000	325,000
Due Beyond One Year	1,306,925	1,664,981
Total Liabilities	<u>2,036,866</u>	<u>2,289,044</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	2,625,953	2,551,142
Restricted for:		
Capital Projects	1,083,866	757,932
Compensated Absences	525,000	450,000
Subsequent Years' Budget	125,000	250,000
Unrestricted	1,226,721	1,115,995
Total Net Assets	<u>5,586,540</u>	<u>5,125,069</u>

See accompanying notes to the basic financial statements.

DEPTFORD FIRE DISTRICT NO. 1  
Statement of Activities  
For the Year Ended December 31, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program</u>	<u>Net (Expense) Revenue and</u>	
		<u>Revenues</u>	<u>Changes in Net Assets</u>	
		<u>Operating</u>	<u>Governmental</u>	<u>Total</u>
		<u>Grants and</u>	<u>Activities</u>	
		<u>Contributions</u>		
Governmental Activities:				
Administrative	613,616		613,616	613,616
Cost of Operations & Maintenance	2,674,493	9,455	2,665,038	2,665,038
Appropriations Off-Set with Revenues:				
Fire Marshall's Office	176,314		176,314	176,314
Length of Service Awards Program	75,000		75,000	75,000
Interest on Long-Term Debt	58,500		58,500	58,500
Capital Outlay	950		950	950
Unallocated Depreciation	378,631		378,631	378,631
<b>Total Governmental Activities</b>	<b>3,977,504</b>	<b>9,455</b>	<b>3,968,049</b>	<b>3,968,049</b>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purpose			3,796,070	3,796,070
Taxes Levied for Debt Service			383,500	383,500
Federal and State Aid Not Restricted			75,959	75,959
Permit Fees			10,044	10,044
Penalties & Fines			37,345	37,345
Non-Life Hazard Use Registration			41,986	41,986
Dedicated Fines Money			575	575
Interest on Investments			95,240	95,240
Sale of Assets			17,575	17,575
Miscellaneous Income			47,065	47,065
Prior year Encumbrance Canceled			39,825	39,825
Prior Year Additional Bills			(115,664)	(115,664)
<b>Total General Revenues, Special Items, Extraordinary Items and Transfe</b>			<b>4,429,520</b>	<b>4,429,520</b>
Change in Net Assets			461,471	461,471
Net Assets - Beginning			5,125,069	5,125,069
Net Assets - End			5,586,540	5,586,540

See accompanying notes to the basic financial statements.



**FUND FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS**

DEPTFORD FIRE DISTRICT NO. 1  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010

	General Fund	Capital Projects Fund	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	2,498,587	1,083,866	3,582,453
Total Assets	<u>2,498,587</u>	<u>1,083,866</u>	<u>3,582,453</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts Payable	346,877		346,877
Other Payables	17,340		17,340
Payroll Taxes Payable	15,724		15,724
Total Liabilities	<u>379,941</u>		<u>379,941</u>
Fund Balances			
Reserve for:			
Compensated Absences	525,000		525,000
Capital Projects		90,383	90,383
Unreserved			
General Fund			
Designated for Subsequent Budget	125,000	550,804	675,804
Undesignated	1,468,646		1,468,646
Capital Projects		442,679	442,679
Total Fund Balances	<u>2,118,646</u>	<u>1,083,866</u>	<u>3,202,512</u>
Total Liabilities and Fund Balances	<u>2,498,587</u>	<u>1,083,866</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 costs of assets is \$7,182,148 and the accumulated depreciation is \$3,141,195.

4,040,953

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

(1,656,925)

Net Assets of Governmental Activities

5,586,540

See accompanying notes to the basic financial statements.

DEPTFORD FIRE DISTRICT NO. 1  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>				
Permit Fees	10,044			10,044
Penalties & Fines	37,345			37,345
Non-Life Hazard Use Registration	41,986			41,986
Dedicated Fines Money	575			575
Amount to be Raised by Taxation	3,796,070		383,500	4,179,570
Interest on Investments	95,240			95,240
Sale of Assets	17,575			17,575
Miscellaneous Income	47,065			47,065
	4,045,900		383,500	4,429,400
State Sources	85,414			85,414
<b>Total Revenues</b>	<b>4,131,314</b>		<b>383,500</b>	<b>4,514,814</b>
<b>EXPENDITURES</b>				
Administrative	609,129			609,129
Cost of Operations & Maintenance	2,819,188			2,819,188
Appropriations Off-set with Revenues:				
Fire Marshall's Office	172,604			172,604
Length of Service Awards Program	75,000			75,000
Debt Service:				
Principal			325,000	325,000
Interest			58,500	58,500
Capital Outlay		950		950
<b>Total Expenditures</b>	<b>3,675,921</b>	<b>950</b>	<b>383,500</b>	<b>4,060,371</b>
Excess (Deficiency) of Revenues Over Expenditures	455,393	(950)		454,443
<b>Other Financing Sources (Uses)</b>				
Transfers out to Capital Projects	(325,000)	325,000		
Prior Year Encumbrances Canceled	37,941	1,884		39,825
Prior Year Additional Bills	(115,664)			(115,664)
<b>Total Other Financing Sources and Uses</b>	<b>(402,723)</b>	<b>326,884</b>		<b>(75,839)</b>
<b>Net Change in Fund Balances</b>	<b>52,670</b>	<b>325,934</b>		<b>378,604</b>
Fund Balance January 1	2,065,976	757,932		2,823,908
Fund Balance December 31	2,118,646	1,083,866		3,202,512

See accompanying notes to the basic financial statements.

DEPTFORD 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, 2010

	2010
Total Net Change in Fund Balances - Governmental Funds (from B-2)	378,604
<p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.</p>	
Depreciation Expense	(378,631)
Capital Outlays	128,442
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets and is not reported in the Statement of Activities.</p>	
Bond Principal Payments	325,000
<p>In the Statement of Activities, certain operating expenses e.g. compensated absences are measured by the amounts earned during the year. In Governmental Funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount the difference is an addition to the reconciliation.</p>	
	8,056
Change in Net Assets of Governmental Activities	461,471

See accompanying notes to the basic financial statements.

**NOTES TO FINANCIAL STATEMENTS**

DEPTFORD FIRE DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 and 2009

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

**Description of Reporting Entity**

The Deptford Township Fire District No. 1 was created on October 25, 1965. The governing body of the Township of Deptford adopted an ordinance creating the Fire District, the territorial location of which is coterminous with the Township.

The governing body of any municipality which does not have a paid or part-time fire department may, upon application of at least twenty voters or at least five percent of the registered voters, whichever is greater, by ordinance, designate a territorial location (or locations) for use as a fire district(s).

The Fire District is responsible for the prevention and suppression of fire within the Township. The Fire District encompasses approximately seventeen and one half (17.5) square miles of territory and is coterminous with the boundaries of the Township. Rescue and ambulance services are provided by separate first aid squads within the Township.

A Board of five commissioners governs the Fire District. The commissioners of the Board are elected at-large for three-year staggered terms with an annual election held the third Saturday of every February. The Chairman and other officers of the Board of the Fire District are selected from amongst the members of the Board.

Fire Districts are governed by N.J.S.A. 40A:14-70 et al. and are organized as a taxing authority charged with the responsibility of providing the resources necessary to provide fire fighting services. The Fire District operates seven separate fire stations within its jurisdiction, the Oak Valley Fire Company, Union Fire Company, Community Fire Company, Tacoma Fire Company, New Sharon Fire Company, Helping Hand Fire Company and Almonesson Fire Company. The volunteer companies are staffed by approximately 160 trained volunteers.

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

**Descriptions of Funds**

The financial statements of the Fire District conform to accounting principles generally accepted in the United States of America applicable to governmental funds of state and local governments in accordance with the provisions of N.J.A.C. 5:31-7.1. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting. Accordingly, the Fire District accounts for its transactions through the use of funds and account groups:

Governmental Funds:

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

DEPTFORD FIRE DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 and 2009

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Descriptions of Funds (Continued)**

Governmental Funds: (Continued)

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

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

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

**Basis of Accounting**

The financial statement of the Deptford Fire District No. 1 have been prepared in conformity with accounting principles generally accepted in the United States of America (G.A.A.P.) as applied to governmental units. The Governmental Accounting Standards Board (G.A.S.B.) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**Basis of Accounting, Measurement Focus and Basis of Presentation**

The District's basic financial statements consist of District-wide statements, including a statement of net assets and a statement of activities, and a fund financial statement which provide a more detailed level of financial information.

District-Financial Statements - The Statement of Net Assets and Statement of Activities display information about the District as a whole. These statements include the financial activities of the overall District except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activity of the District at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the District.



DEPTFORD FIRE DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 and 2009

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting, Measurement Focus and Basis of Presentation (Continued)**

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

Revenues - Revenues are recorded when received in cash except for certain amounts which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the budget. Fund balance utilized to balance the budget is recorded as revenue and budgeted transfers from other funds are also recorded as revenue when anticipated in the budget.

Expenditures – Expenditures are recorded on the “budgetary” basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods and services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and as accounts payable. Budgeted transfers to other funds are recorded as expenditures when the budget is adopted, to the extent permitted or required by law. Appropriations for principal payments on outstanding bonds and notes are provided on the cash basis; interest is also on the cash basis.

Encumbrances - Encumbrance accounting is used for the General Fund, and Capital Projects Fund. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as reservations of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated.

Income Taxes - As a public body, under existing statutes, the Fire District is exempt from both federal and state taxes.

Capital Assets – The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at estimated fair market value on the date received. The cost of normal repairs and maintenance are not capitalized. The capitalization threshold used by the District is \$5,000.

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building & Improvements	7-50
Machinery & Equipment	7-20

DEPTFORD FIRE DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 and 2009

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting, Measurement Focus and Basis of Presentation (Continued)**

Capital Assets – (Continued)

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, equipment, 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 2 percent of the assessed valuation of property, whichever is larger.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property Taxes – The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Taxes are payable on the first day of February, May, August and November. Any taxes that have not been paid by the 11<sup>th</sup> day of the 11<sup>th</sup> month in the year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with N.J.S.A. 54:5 et. seq.

The municipality is responsible for remitting 100% of the Fire District's tax to them.

**NOTE 2: BUDGETARY INFORMATION**

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

The fire commissioners must introduce and approve the annual budget not later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the Township. The public hearing must not be held less than twenty-eight days after the date the budget is 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. 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 voters.

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

DEPTFORD FIRE DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 and 2009

**NOTE 3: CASH**

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be able to recover the value of its deposits or investments. Deposits are considered to be exposed to custodial credit risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. The Fire District's policy is based on New Jersey Statutes requiring cash to be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (G.U.D.P.A.) or in qualified investments established in New Jersey Statutes N.J.S.A. 40A:5-15.1(a) that are treated as cash equivalents. At December 31, 2010 and 2009, the carrying amount of the Fire District's deposits was \$3,582,453 and \$3,122,971, respectively. As of December 31, 2010 and 2009, \$0 of the Fire District's bank balance of \$3,744,158 and \$3,249,231, respectively, was exposed to custodial credit risk.

**NOTE 4: INVESTMENTS**

As of December 31, 2010 or 2009, the Fire District's did not have any investments.

Interest Rate Risk - The Fire District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes N.J.S.A. 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk - New Jersey Statutes N.J.S.A. 40A:5-15.1(a) limits municipal investments to those specified in the statutes. The type of allowable investments are Bonds or other obligations of the United States or obligations guaranteed by the United States, Bonds or other obligations of the Township or bonds or other obligations of the Township school district, Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of Treasury for investment by local units, government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk - The Fire District places no limit on the amount the Fire District may invest in any one issuer.

DEPTFORD FIRE DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 and 2009

**NOTE 5: FUND BALANCES APPROPRIATED – GENERAL FUND**

The following presents the fund balances as of the end of the current and preceding four years and the amount utilized in the subsequent year's budget.

<u>Year</u>	<u>Balance Dec. 31</u>	<u>Utilized in Subsequent Budget</u>	<u>Percentage Utilized</u>
2010	2,118,646	675,804	31.90%
2009	2,065,976	250,000	12.10%
2008	1,339,925	184,176	13.75%
2007	956,000	125,000	13.08%
2006	677,783	None	0.00%

**NOTE 6: FIXED ASSETS**

The following schedule is a summarization of the changes in fixed assets for the year ended December 31, 2010.

	<u>Balance Dec. 31, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2010</u>
Buildings & Improvements	340,191			340,191
Vehicles & Equipment	6,914,130	128,442	200,615	6,841,957
Total at Historical Cost	<u>7,254,321</u>	<u>128,442</u>	<u>200,615</u>	<u>7,182,148</u>
Less: Accumulated Depreciation				
Buildings & Improvements	(222,710)	(3,903)		(226,613)
Vehicles & Equipment	<u>(2,740,469)</u>	<u>(374,728)</u>	<u>200,615</u>	<u>(2,914,582)</u>
Total Accumulated Depreciation	<u>(2,963,179)</u>	<u>(378,631)</u>	<u>200,615</u>	<u>(3,141,195)</u>
Capital Assets, Net	<u>4,291,142</u>	<u>(250,189)</u>	<u>401,230</u>	<u>4,040,953</u>

**NOTE 7: COMPENSATED ABSENCES**

Those employees under Collective Bargaining Agreement are entitled to receive ten paid sick days per each year. Those employees not covered by that agreement follow Department of Personnel guidelines. Unused sick leave may be accumulated and carried forward to the subsequent year. Full-time employees may also carry five days vacation over to the next year, with the Fire District's approval.

The Fire District compensates employees for unused sick leave upon termination or retirement. The current policy provides that sick time accumulated for the years of service may be used for early retirement or sold back at time of retirement at that year's rate.

DEPTFORD FIRE DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 and 2009

**NOTE 7: COMPENSATED ABSENCES (CONTINUED)**

The liability for vested compensated absences of the governmental fund types is recorded as long-term debt. The current portion of the compensated absence balance is not considered material to the applicable funds total liabilities, and is therefore not shown separately from the long-term liability balance of compensated absences. The value for accrued benefits at December 31, 2010, and 2009, is \$241,925 and \$249,981 respectively. The Fire District has reserved funds from current year and prior years operations to support future retirement payouts as follows: December 31, 2010, and 2009, is \$525,000 and \$450,000 respectively.

**NOTE 8: ECONOMIC DEPENDENCY**

The Township of Deptford Fire District No. 1 is not economically dependent on any one business or industry within the Township.

**NOTE 9: LENGTH OF SERVICE AWARD PROGRAM**

The Fire District adopted a length of service award program in accordance with Chapter 338 of the Laws of 1997. The voters of the Township of Deptford approved the adoption of the L.O.S.A.P. program at the general election held in November 2000. The LOSAP 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 the participating employees and not be accessible by the Fire District or its creditors. Since the Fire District does not have a fiduciary relationship with the LOSAP, the balances and activities of the LOSAP are not reported in the Fire District's financial statements. The Fire District's annual budget appropriation for 2010 and 2009 are \$75,000 each. The assets of the plan are held by an independent administrator, Lincoln Financial Advisors.

**NOTE 10: BONDS PAYABLE**

Long-term debt as of December 31, 2010 consisted of the following:

	Year		
	2010	2009	2008
Bonds, Notes and Loans Issued	1,415,000	1,740,000	2,065,000
Bonds and Notes Authorized but not Issued			
Issued	0	0	0
Net Bonds, Notes and Loans Issued and Authorized but not Issued	1,415,000	1,740,000	2,065,000

DEPTFORD FIRE DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 and 2009

**NOTE 10: BONDS PAYABLE (CONTINUED)**

	Balance Dec. 31, 2009	Issued/ Authorized	Retired/ Reduction	Balance Dec. 31, 2010	Due in One Year
<u>Issued:</u>					
General - Serial Bonds	1,740,000		325,000	1,415,000	350,000
Compensated Absences	249,981	10,116	18,172	241,925	
	<u>1,989,981</u>	<u>10,116</u>	<u>343,172</u>	<u>1,656,925</u>	<u>350,000</u>

Bonds are authorized in accordance with State law by voters of the Fire District through a special election. The District issued bonds for \$2,500,000 on August 1, 2004. The bonds are payable in semiannual installments. The interest rate varies from 3.8% to 5.85%. The approximate aggregate maturities of long-term debt for the five years ending December 31, 2010, are as follows:

Year	Principal	Interest	Total
2011	350,000.00	47,775.00	397,775.00
2012	350,000.00	36,225.00	386,225.00
2013	350,000.00	24,675.00	374,675.00
2014	365,000.00	12,775.00	377,775.00
	<u>1,415,000.00</u>	<u>121,450.00</u>	<u>1,536,450.00</u>

**NOTE 11: PENSION FUNDS**

Description of Plans - All eligible employees of the Fire District are covered by the Public Employees' Retirement System, (P.E.R.S.), a cost-sharing multiple-employer defined benefit pension plan which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees' Retirement System. The reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625 or can be accessed on the internet at [http://www.state.nj.us/treasury/pensions/annrpts\\_archieve.htm](http://www.state.nj.us/treasury/pensions/annrpts_archieve.htm).

Public Employees' Retirement System (P.E.R.S.) - The Public Employees' Retirement System (P.E.R.S.) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is generally required for substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another state-administered retirement system or other state or local jurisdiction.

DEPTFORD FIRE DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 and 2009

**NOTE 11: PENSION FUNDS (CONTINUED)**

Police and Firemen's Retirement System (P.F.R.S.) – The Police and Firemen's Retirement System was established in July, 1944 under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full-time county or municipal police and fire-fighters and State fire-fighters appointed after June 30, 1944. Enrollment is required for permanent, full-time employees appointed to positions in law enforcement or fire fighting in the State of New Jersey. Members are eligible for retirement at age fifty-five with a benefit equal to two percent of final compensation for each year of creditable service up to twenty years. Members with at least twenty years but less than twenty-five years of service credit will receive fifty percent of final compensation. Special retirement is available at any age to those with twenty-five years of service credit. The annual benefit calculation is equal to sixty-five percent of final compensation plus one percent for each year of creditable service over twenty-five years but not to exceed thirty years.

Funding Policy - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997, and N.J.S.A. 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. P.E.R.S. provide for employee contributions of 5.5% of employees' annual compensation, as defined. P.F.R.S. provide for employee contributions of 8.5% of employees' annual compensation, as defined. Employers are required to contribute annually at an actuarially determined rate to P.E.R.S. and P.F.R.S. The P.E.R.S. rate in effect for 2010 is 8.95% of covered payroll as reported on June 30, 2008, and P.F.R.S. rate in effect for 2010 is 25.88%. The actuarially determined contribution includes funding for, cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. The Fire District's contributions to P.E.R.S. for the years ended December 31, 2010, 2009 and 2008 were \$19,830, \$16,725, and \$14,359 respectively, equal to the required contributions for each year. The contribution to P.F.R.S. for the years ending December 31, 2010, 2009 and 2008, were \$217,923, \$227,563, and \$153,350. Additional amounts are charged to the budget due to the 2009 pension bill being paid late.

**NOTE 12: LABOR CONTRACTS**

As of December 31, 2010, the Fire District's employees are organized in the following collective bargaining units. Contracts are continually being negotiated the following table shows their current status.

AFL-CIO #3592	Superior Officers	Expiration 06/30/2013
AFL-CIO #3592	Firefighter	Expiration 06/30/2013

DEPTFORD FIRE DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 and 2009

**NOTE 13: HEALTH BENEFITS**

The adoption of Chapter 2 of P.L. 2010 implemented requirements for all local units to begin collecting 1.5% of employee salaries to offset employer health care costs. The following schedule discloses the value of employee contribution, the reduced fire district costs for health care coverage, and the line items affected.

Year	Administration	Operations & Maintenance	Fire Marshall	Combined
Employee Contributions	202	3,950	413	4,565
District Share - Budget	20,223	386,426	7,689	414,338
Total Costs of Coverage	<u>20,425</u>	<u>390,376</u>	<u>8,102</u>	<u>418,903</u>

**NOTE 14: POST-RETIREMENT BENEFITS**

**Plan Description** - The Deptford Fire District contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 2007, Deptford Fire District No. 1 authorized participation in the SHBP's post-retirement benefit program through resolution dated April 20, 2007. The plan provides fully-insured medical and prescription drug coverage to eligible retirees and their spouses.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at [www.state.nj.us/treasury/pensions/pdf/financial/gasb-43-aug2010.pdf](http://www.state.nj.us/treasury/pensions/pdf/financial/gasb-43-aug2010.pdf).

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

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Deptford Fire District on a monthly basis. Plan members receiving benefits are not required to make any contributions.



DEPTFORD FIRE DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010 and 2009

**NOTE 14: POST-RETIREMENT BENEFITS (CONTINUED)**

**Funding Policy (Continued)**

The Deptford Fire District contributions to SHBP for the years ended December 31, 2010, 2009, and 2008, were \$36,239, \$11,216, \$11,182, respectively, which equaled the required contributions for each year. The Deptford Fire District No. 1 contributions to Horizon Blue Cross/Blue Shield for the years ended December 31, 2010, 2009, and 2008, were \$698, \$934, and \$822. The Fire District also reimburses for Medicare Part B benefits for the years ended December 31, 2010, 2009, and 2008, which were \$1,157, \$1,157, and \$578. There were three retired participants eligible at December 31, 2010 and one retired participant eligible for the years ended December 31, 2009, and 2008.

**NOTE 15: OTHER EMPLOYEE BENEFITS PLAN**

Effective November 1999, Deptford Fire District No. 1 entered into a pre-tax benefits plan with AFLAC. The purpose of the plan is to provide eligible employees with the opportunity to choose from among the fringe benefits under the plan. The plan is intended to qualify as a cafeteria plan under the provisions of Internal Revenue Code Section 125.

**NOTE 16: RISK MANAGEMENT**

The Fire District is exposed to various risks or loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Fire District maintains commercial insurance coverage for property, liability and surety bonds. There have not been any claims in excess of coverage and no reduction in coverage was noted during the 2010 audit.

**NOTE 17: PROPERTY TAX LEVIES**

The following is a tabulation of the Fire District assessed valuation, tax levies and property tax rates per \$100 of assessed valuation for the current and preceding four years:

<u>Year</u>	<u>Assessed Valuation</u>	<u>Total Tax Levy</u>	<u>Tax Rate</u>
2010	1,739,215,382	4,179,570	\$0.241
2009	1,741,487,298	4,151,001	\$0.239
2008	1,706,376,431	3,915,765	\$0.230
2007	1,681,506,598	3,902,476	\$0.233
2006	1,651,728,337	3,312,223	\$0.201

**NOTE 18: CONTINGENCIES**

It is the Deptford Fire District No.1's Counsel's opinion that there is no pending litigation against the Fire District.

**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

# PETRONI & ASSOCIATES LLC

Certified Public Accountants • Registered Municipal Accountants  
21 W. High Street • P.O. Box 279 • Glassboro, NJ 08028  
(856) 881-1600 • Fax (856) 881-6860

MEMBER: AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

Nick L. Petroni, CPA, RMA

Mary A. Carey, RMA  
Wendy G. Fama, CPA  
Denise R. Nevico, CPA  
Deanna L. Roller, CPA, RMA

## **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**

Honorable Chairman and Members  
of the Fire District  
Deptford Fire District No. 1  
1370 Delsea Drive  
Deptford, New Jersey 08096

We have audited the financial statements of the governmental activities, each major fund, and the aggregated remaining fund information of the Deptford Fire District No. 1, New Jersey as of and for the year ended December 31, 2010, which collectively comprise the Deptford Fire District No. 1's basic financial statements and have issued our report thereon dated March 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division").

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Deptford Fire District No. 1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Deptford Fire District No. 1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Deptford Fire District No. 1's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and recommendations, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the schedule of findings and recommendations to be a material weakness as item 2010-1.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Deptford Fire District No.1, New Jersey's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the requirements of the Division of Local Government Services which are described in the accompanying schedule of findings and recommendations as item 2010-1.

This report is intended solely for the information and use of management, the Board of Commissioners, federal and state awarding agencies and pass-through entities and the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not intended to be and should not be used by anyone other than these specified parties.

PETRONI & ASSOCIATES LLC



Nick L. Petroni  
Certified Public Accountant  
Registered Municipal Accountant #252

March 25, 2011

DEPTFORD FIRE DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget			Actual	Variance of Actual Data to Budget	
	Original	Transfers	Final		Dollars	%
<u>Revenues</u>						
Local sources:						
Permit Fees	7,000		7,000	10,044	3,044	43.49%
Penalties & Fines	20,000		20,000	37,345	17,345	86.73%
Non-life Hazard Use Registration	25,000		25,000	41,986	16,986	67.94%
Dedicated Fines Money	1,000		1,000	575	(425)	-42.50%
Amount to be Raised by Taxation	3,796,070		3,796,070	3,796,070		
Amount to be Raised by Taxation - Debt Service	383,500		383,500	383,500		
Interest on Investments	24,000		24,000	95,240	71,240	296.83%
Sale of Assets	10,000		10,000	17,575	7,575	75.75%
Miscellaneous Revenue				47,065	47,065	
State Sources:						
Uniform Fire Safety Act - Registration Fees	64,343		64,343	75,959	11,616	18.05%
Supplemental Fire Grant	12,277		12,277	9,455	(2,822)	-22.99%
<b>Total Revenues</b>	<b>4,343,190</b>		<b>4,343,190</b>	<b>4,514,814</b>	<b>171,624</b>	<b>3.95%</b>
<u>Expenditures</u>						
Administration						
Salaries and Wages:						
Administrative Secretary	56,000	220	56,220	56,209	11	0.02%
Commissioners	21,100		21,100	20,025	1,075	5.09%
Clerical Help	29,641	140	29,781	29,780	1	0.00%
Overtime & Incentive	3,000	(360)	2,640	1,976	664	25.15%
Fringe Benefits:						
Social Security System	13,000		13,000	10,064	2,936	22.58%
Unemployment Compensation	1,000		1,000	553	447	44.70%
Public Employees' Retirement	20,000	2,400	22,400	20,338	2,062	9.21%
Health Benefits Administration	54,570	(2,000)	52,570	32,347	20,223	38.47%
Other Expenses:						
Insurance Premiums	296,400	(60,000)	236,400	236,284	116	0.05%
Accounting Fees & Software	5,000	2,000	7,000	6,487	513	7.33%
Audit	10,800		10,800	10,800		
Legal Fees - Contracted	55,000	3,000	58,000	57,443	557	0.96%
Solicitor - Retainer - Contracted	60,000	(6,000)	54,000	50,586	3,414	6.32%
Medical Fees	45,000	(5,000)	40,000	31,544	8,456	21.14%
Computer, Equipment & Services (FAB)	15,000	3,000	18,000	17,471	529	2.94%
Advertising & Elections (FAB)	11,000	(500)	10,500	6,887	3,613	34.41%
Supplies, Postage & Office Services (FAB)	20,000	500	20,500	20,335	165	0.80%
<b>Total Administration</b>	<b>716,511</b>	<b>(62,600)</b>	<b>653,911</b>	<b>609,129</b>	<b>44,782</b>	<b>6.85%</b>

DEPTFORD FIRE DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget			Actual	Variance of Actual Data to Budget	
	Original	Transfers	Final		Dollars	%
Cost of Operations & Maintenance						
Salaries and Wages:						
Firefighters	1,014,721	20,000	1,034,721	1,025,826	8,895	0.86%
Mechanics	69,302	1,000	70,302	69,589	713	1.01%
Chief	72,013	(71,150)	863		863	100.00%
Retirement	75,000	18,000	93,000	17,997	75,003	80.65%
Overtime & Incentive	54,000	(49,200)	4,800	4,512	288	6.00%
Vacation/Sick	30,000	13,200	43,200	43,087	113	0.26%
Fringe Benefits:						
Social Security System	100,000	(13,000)	87,000	86,457	543	0.62%
Unemployment Compensation	5,000		5,000	4,044	956	19.12%
Health Benefits	348,420	42,000	390,420	386,426	3,994	1.02%
Police & Firemen's Pension	285,704	(49,400)	236,304	225,314	10,990	4.65%
Other Expenses:						
Uniform/Clothing	38,800	97,000	135,800	135,640	160	0.12%
Fire Hydrant Rent	52,000		52,000	51,950	50	0.10%
Station Rent	246,000	(37,000)	209,000	208,800	200	0.10%
Training & Education	47,000	(19,000)	28,000	27,778	222	0.79%
Volunteer Reimbursement	62,000	(3,000)	59,000	58,599	401	0.68%
Fuel	60,000	(19,000)	41,000	40,894	106	0.26%
Utilities	50,000	(10,000)	40,000	39,448	552	1.38%
Maintenance (FAB)	20,000	19,000	39,000	38,350	650	1.67%
Vehicle & Equipment Maintenance	156,000	48,000	204,000	190,710	13,290	6.51%
Equipment	170,000		170,000	143,426	26,574	15.63%
Battalion Chiefs	6,000		6,000	6,000		
Explorer Program	9,000	(8,000)	1,000	60	940	94.00%
Safety Division	5,000	(4,000)	1,000	744	256	25.60%
Fire Police	3,000		3,000	2,979	21	0.70%
Retention & Recruitment	20,000	(9,000)	11,000	10,558	442	4.02%
<b>Total Cost of Operations &amp; Maintenance</b>	<b>2,998,960</b>	<b>(33,550)</b>	<b>2,965,410</b>	<b>2,819,188</b>	<b>146,222</b>	<b>4.93%</b>

DEPTFORD FIRE DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget			Actual	Variance of Actual Data to Budget	
	Original	Transfers	Final		Dollars	%
Appropriations Off-set with Revenues						
Salaries and Wages:						
Fire Marshall Office	113,867	3,000	116,867	112,709	4,158	3.56%
Rotation	9,000	500	9,500	9,423	77	0.81%
Overtime & Incentive	2,000	3,000	5,000	3,810	1,190	23.80%
Fringe Benefits:						
Social Security System	14,000	(4,500)	9,500	8,933	567	5.97%
Unemployment Compensation	1,000		1,000	416	584	58.40%
Health Benefits	34,332	(26,000)	8,332	7,689	643	7.72%
Other Expenses:						
Uniform/Clothing	1,200		1,200		1,200	100.00%
Fire Marshall Office Expense	8,000		8,000	4,686	3,314	41.43%
Fire Prevention	30,000	(6,000)	24,000	23,611	389	1.62%
New Equipment (Fire Marshall)	3,000		3,000	1,244	1,756	58.53%
Training & Education	3,000		3,000		3,000	100.00%
Vehicle & Equipment Maintenance		200	200	83	117	58.50%
<b>Total Fire Marshall's Office</b>	<b>219,399</b>	<b>(29,800)</b>	<b>189,599</b>	<b>172,604</b>	<b>16,995</b>	<b>8.96%</b>
Length of Service Awards Program						
Contribution (P.L. 1997, c 388)	75,000		75,000	75,000		
Total L.O.S.A.P.	75,000		75,000	75,000		
<b>Total Expenditures</b>	<b>4,009,870</b>	<b>(125,950)</b>	<b>3,883,920</b>	<b>3,675,921</b>	<b>207,999</b>	
Other Financing Sources (Uses)						
Reserve for Future Capital Outlay	(200,000)	(125,950)	(325,950)	(325,000)	(950)	0.29%
Prior Year Encumbrances Canceled				37,941	(37,941)	
Prior Year Additional Bills				(115,664)	115,664	
Debt Service						
Principal	(325,000)		(325,000)	(325,000)		
Interest	(58,500)		(58,500)	(58,500)		
<b>Total Other Financing Sources (Uses)</b>	<b>(583,500)</b>	<b>(125,950)</b>	<b>(709,450)</b>	<b>(786,223)</b>	<b>76,773</b>	<b>-10.82%</b>
Excess (deficiency) of Revenues and Other Financing Sources Over (under) Expenditures and Other Financing Uses	(250,180)		(250,180)	52,670	40,398	
Fund Balances - January 1	2,065,976		2,065,976	2,065,976		
Fund Balances- December 31	1,815,796		1,815,796	2,118,646	40,398	
<b>Recapitulation:</b>						
Unreserved Fund Balance				1,468,646		
Reserve for Compensated Absences				525,000		
Designated for Subsequent Year's Expenditures				125,000		
				<u>2,118,646</u>		

Exhibit C-2

DEPTFORD FIRE DISTRICT NO. 1  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF PROJECT EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Project Title/Issue</u>	<u>Original Date</u>	<u>Appropriation</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance 12/31/10</u>
			<u>Prior Year</u>	<u>Current Year</u>	
Acquisition of Capital Equipment	02/21/04	2,500,000	2,414,288	950	84,762
Purchase of a Pumper	09/26/07	700,000	696,263	(1,884) *	5,621
		<u>3,200,000</u>	<u>3,110,551</u>	<u>(934)</u>	<u>90,383</u>

\* Prior Year Encumbrance Canceled

Exhibit C-3

DEPTFORD FIRE DISTRICT NO. 1  
SCHEDULE OF BONDS PAYABLE  
FOR THE YEAR ENDED DECEMBER 31, 2010

2004 SERIES

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Description</u>	<u>Balance Jan. 1, 2010</u>	<u>Redeemed</u>	<u>Balance Dec. 31, 2010</u>
08/01/04	2,500,000	Purchase of Various Fire Apparatus & Equipment	1,740,000	325,000	1,415,000

Schedule of Annual Maturities

<u>Due August 1</u>	<u>Interest Rate</u>	<u>Annual Principal Payment</u>
08/01/11	3.30%	350,000
08/01/12	3.30%	350,000
08/01/13	3.40%	350,000
08/01/14	3.50%	365,000
		<u>1,415,000</u>



## GENERAL COMMENTS

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

N.J.S.A. 40A:11-4 states "Every contract or agreement awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law."

The Fire District has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the calendar year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

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

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

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the bid threshold "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisements or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-6.

## OTHER COMMENTS

### Cash Management Program

The Fire District has adopted a cash management plan. The District deposits money in accordance with N.J.A.C. 5:31-3.1. The investment of Fire District funds is in interest bearing accounts and monthly cash management reports are prepared.

The fees, permits and fines collected by the Fire Marshall's office were deposited within 48 hours as required by N.J.A.C. 5:31-3.1(b).

### Accounting System

A general ledger has been established by the Fire District and is working effectively.

### Fixed Assets

A fixed asset accounting and reporting system has been established by the Fire District and is working effectively.

### Corrective Action Plan

A corrective action plan was filed for the year 2009.

## STATUS OF PRIOR RECOMMENDATIONS

The following finding appears in prior reports and corrective action has not been fully implemented.

2009-2 Finding: The Fire District's personnel lack the expertise in preparing their own financial statements and accompanying notes in accordance with generally accepted accounting principles.

## FINDINGS AND RECOMMENDATIONS

### Material Weakness

\*2010-1: Finding: The Fire District's personnel lack the expertise in preparing their own financial statements and accompanying notes in accordance with generally accepted accounting principles.

Recommendation: The Fire District provide training to the appropriate personnel to gain the necessary competence to perform this function.

\*This recommendation appears in prior reports and corrective action has not been fully implemented.

### Acknowledgment

We received the complete cooperation of all the officials of the Fire District and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

PETRONI & ASSOCIATES LLC



Nick L. Petroni  
Certified Public Accountant  
Registered Municipal Accountant #252