

**FIRE DISTRICT NO. 1  
BOROUGH OF PINE HILL, NEW JERSEY  
REPORT OF AUDIT  
FOR THE YEAR ENDED  
DECEMBER 31, 2011**

**FIRE DISTRICT NO. 1  
BOROUGH OF PINE HILL, NEW JERSEY**

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FIRE DISTRICT NO. 1  
BOROUGH OF PINE HILL, NEW JERSEY

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**FIRE DISTRICT NO. 1**  
**BOROUGH OF PINE HILL, NEW JERSEY**  
Roster of Officials and Surety Bonds

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**Board of Commissioners**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Amount of Surety Bond</u></b>
Charles Warrington	Chairman	\$ 30,000.00 *
George Borchert	Vice-Chairman	30,000.00 *
James Wakely	Secretary	30,000.00 *
Christopher Green	Treasurer	30,000.00 *
Joseph Henshke	Commissioner	30,000.00 *
Maria Hassett	Fire District Administrator	250,000.00 *

\* - Surety Bond held by VFIS.

## **FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

Board of Fire Commissioners  
Fire District No. 1  
Borough of Pine Hill  
Pine Hill, New Jersey 08021

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Pine Hill Fire District Fire District No. 1, in the County of Camden, State of New Jersey, as of and for the year ended December 31, 2011, which collectively comprise the Fire District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Borough of Pine Hill's Fire District No. 1's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fire District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Borough of Pine Hill Fire District No. 1, in the County of Camden, State of New Jersey as of December 31, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 9, 2012 on our consideration of the Borough of Pine Hill Fire District No. 1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



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

Board of Fire Commissioners  
Fire District No. 1  
Borough of Pine Hill  
Pine Hill, New Jersey 08021

We have audited the financial statements of the governmental activities, and each major fund of the Borough of Pine Hill Fire District No. 1, in the County of Camden, State of New Jersey, as of and for the year ended December 31, 2011, and have issued our report thereon dated May 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Internal Control Over Financial Reporting**

Management of the Borough of Pine Hill Fire District No. 1 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Fire District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fire District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fire District's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Fire District's 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 the Borough of Pine Hill Fire District No. 1'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, and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Woodbury, New Jersey  
May 9, 2012

**REQUIRED SUPPLEMENTARY INFORMATION  
PART I**

## BOROUGH OF PINE HILL FIRE DISTRICT NO. 1

Management's Discussion and Analysis  
For the Year Ended December 31, 2011

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As management of the Borough of Pine Hill Fire District No. 1, we offer readers of the Borough of Pine Hill Fire District No. 1's financial statements this narrative overview and analysis of the financial activities of the Borough of Pine Hill Fire District No. 1 for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the Borough of Pine Hill Fire District No. 1's financial performance as a whole; readers should also review the information furnished in the notes to the basic financial statements and financial statements to enhance their understanding of the Borough of Pine Hill Fire District No. 1's financial performance. The Pine Hill Fire District No. 1 implemented GASB 34 as of the year ended December 31, 2004.

### Financial Highlights

- The assets of the Borough of Pine Hill Fire District No. 1 exceeded its liabilities at the close of the most recent year by \$507,250.31 (net assets).
- As of the close of the current year, the Borough of Pine Hill Fire District No. 1's governmental funds reported combined ending fund balances of \$510,512.43, an increase of \$74,761.00 in comparison with the prior year.
- To balance the 2011 budget the Borough of Pine Hill Fire District No. 1 used \$76,000.00 of unreserved fund balance. The same amount was used in the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$247,231.25.
- The Borough of Pine Hill Fire District No. 1's total debt decreased by \$100,000.00 as a result of budgeted debt payments.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Borough of Pine Hill Fire District No. 1's basic financial statements. The Borough of Pine Hill Fire District No. 1's basic financial statements comprise three components: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements themselves.

**District-wide financial statements** - The district-wide financial statements are designed to provide readers with a broad overview of the Borough of Pine Hill Fire District No. 1's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Borough of Pine Hill Fire District No. 1's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Borough of Pine Hill Fire District No. 1 is improving or deteriorating.

The Statement of Activities presents information showing how the Borough of Pine Hill Fire District No. 1's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., earned but unused sick leave).

Both of the district-wide financial statements distinguish functions of the Borough of Pine Hill Fire District No. 1 that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the Borough of Pine Hill Fire District No. 1 include fire-fighting and emergency medical services, which are provided to the citizens of the Borough of Pine Hill.

## **BOROUGH OF PINE HILL FIRE DISTRICT NO. 1**

Management's Discussion and Analysis

For the Year Ended December 31, 2011

(Cont'd)

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**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Borough of Pine Hill Fire District No. 1, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Borough of Pine Hill Fire District No. 1 constitute one fund type, governmental funds.

**Governmental Funds** - All of the Borough of Pine Hill Fire District No. 1's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Borough of Pine Hill Fire District No. 1's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance fire-fighting and emergency medical services operations.

The Borough of Pine Hill Fire District No. 1 maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund, and debt service fund.

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

Also, the Borough of Pine Hill Fire District No. 1 adopts an annual budget in accordance with N.J.S.A. 40A:14-78.3. Budgetary comparison schedules have been provided to demonstrate compliance with the budget.

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

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

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Borough of Pine Hill Fire District No. 1, assets exceeded liabilities by \$507,250.31 at the close of the most recent year.

A portion of the Borough of Pine Hill Fire District No. 1's net assets, \$25,291.70, reflects its investment in capital assets (i.e., vehicles, equipment), less any related debt used to acquire those assets that is still outstanding. The Borough of Pine Hill Fire District No. 1 uses these assets to provide fire-fighting and emergency medical services to the citizens of the Borough of Pine Hill; consequently, these assets are not available for future spending. Although the Borough of Pine Hill Fire District No. 1's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**BOROUGH OF PINE HILL FIRE DISTRICT NO. 1**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
(Cont'd)

<b>BOROUGH OF PINE HILL FIRE DISTRICT NO. 1</b>			
<b>DECEMBER 31, 2011, 2010 and 2009</b>			
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current and Other Assets	\$ 541,101.09	\$ 467,674.82	\$ 443,667.62
Defered Assets:			
Bond Issuance Costs.	7,650.34	10,660.32	13,670.29
Capital Assets	<u>337,641.36</u>	<u>434,477.08</u>	<u>538,265.20</u>
Total Assets	<u>886,392.79</u>	<u>912,812.22</u>	<u>995,603.11</u>
Long-term Liabilities Outstanding	237,500.95	339,926.41	442,416.63
Other Liabilities	<u>141,641.53</u>	<u>139,809.59</u>	<u>134,335.38</u>
Total Liabilities	<u>379,142.48</u>	<u>479,736.00</u>	<u>576,752.01</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	25,291.70	25,137.40	36,935.49
Restricted	150,000.00	142,166.24	140,420.83
Unrestricted	<u>331,958.61</u>	<u>265,772.58</u>	<u>241,494.78</u>
Total Net Assets	<u>\$ 507,250.31</u>	<u>\$ 433,076.22</u>	<u>\$ 418,851.10</u>

For the 2011 year, capital assets are reported net of accumulated depreciation. The historic value of the capital assets is \$1,663,945.16, with accumulated depreciation of \$1,326,303.80.

**Governmental Activities**

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Expenses:			
Operating Appropriations:			
Administration	\$ 165,443.59	\$ 157,002.43	\$ 159,288.89
Cost of Operations and Maintenance	557,429.89	588,145.21	577,949.87
Non-Budgetary Expenditures			
Interest on Long-Term Debt	<u>15,372.93</u>	<u>19,264.59</u>	<u>23,064.59</u>
Total Program Expenses	<u>738,246.41</u>	<u>764,412.23</u>	<u>760,303.35</u>

**BOROUGH OF PINE HILL FIRE DISTRICT NO. 1**

Management's Discussion and Analysis

For the Year Ended December 31, 2011

(Cont'd)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes	\$ 654,225.18	\$ 626,166.00	\$ 596,649.00
Taxes Levied for Debt Service	117,153.82	116,010.00	119,810.00
State Aid Unrestricted	3,945.00	3,945.00	5,012.00
Miscellaneous Income	<u>37,096.50</u>	<u>32,516.35</u>	<u>35,116.18</u>
Total General Revenues	<u>812,420.50</u>	<u>778,637.35</u>	<u>756,587.18</u>
Increase in Net Assets	74,174.09	14,225.12	(3,716.17)
Net Assets, January 1	<u>433,076.22</u>	<u>418,851.10</u>	<u>422,567.27</u>
Net Assets, December 31	<u>\$ 507,250.31</u>	<u>\$ 433,076.22</u>	<u>\$ 418,851.10</u>

Property taxes constituted 95% of revenues for governmental activities for the Fire District for the year 2011.

Cost of operations and maintenance comprises 75% of Fire District expenses, with administration comprising 25% of total expenses.

**Financial Analysis of the Government's Funds**

As stated earlier, the Borough of Pine Hill Fire District No. 1 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the Borough of Pine Hill Fire District No. 1's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Borough of Pine Hill Fire District No. 1's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the Borough of Pine Hill Fire District No. 1's governmental funds reported combining ending fund balances of \$510,512.43, an increase of \$74,761.00 in comparison with the prior year. The District used \$76,000.00 to balance the 2011 budget.

Of the combined ending fund balances of \$510,512.43, approximately 43% is comprised of unassigned fund balance in the amount of \$247,231.25. The remainder of the fund balance is in the form of restricted funds in the amount of \$150,000.00 for future capital outlays and assigned funds in the amount of \$113,281.08 as detailed below.

The general fund is the main operating fund of the Borough of Pine Hill Fire District No. 1. At the end of the current year, unassigned fund balance is \$247,231.25 and assigned fund balances in the amount of \$80,000.00 to balance the 2012 budget and \$33,281.08 for the payment of year-end encumbrances.

**BOROUGH OF PINE HILL FIRE DISTRICT NO. 1**

Management's Discussion and Analysis

For the Year Ended December 31, 2011

(Cont'd)

The fund balance of the Borough of Pine Hill Fire District No. 1's general fund increased by \$74,813.44 during the current year. Key factors in this increase are as follows:

- The Borough of Pine Hill Fire District No.1 saw an increase in tax revenue for the general fund of \$29,259.18.
- The Borough of Pine Hill Fire District No.1 realized \$37,096.50 in non-budgetary revenues.
- The Borough of Pine Hill Fire District No. 1 lapsed \$113,660.76 in unspent 2011 appropriations to fund balance.

The capital projects fund had fund balance of \$150,000.00 at the end of the current year. This remained the same as the prior year.

**General Fund Budgetary Highlights**

The original and final budgetary basis revenue estimate was \$658,114.00.

During the year 2011, the Borough of Pine Hill Fire District No. 1 budgeted \$654,169.00 in property taxes (local tax levy) in support of the general fund and \$3,945.00 in state aid revenues (supplemental fire services grant).

The original and final budgetary basis expenditure appropriation estimate was \$734,114.00.

**Capital Assets**

The Borough of Pine Hill Fire District No. 1's investment in capital assets for its governmental activities as of December 31, 2011 amounts to \$337,641.36 (net of accumulated depreciation). This investment in capital assets includes vehicles, fire equipment and office equipment. The Pine Hill Fire District No. 1 made only minimal any investment in capital assets during the year.

<b>BOROUGH OF PINE HILL FIRE DISTRICT NO. 1's CAPITAL ASSETS (NET OF ACCUMULATED DEPRICIATION) DECEMBER 31, 2011</b>	
Vehicles	\$ 311,263.14
Fire Equipment	25,697.52
Office Equipment	680.70
Total	<u>\$ 337,641.36</u>

Additional information on the Borough of Pine Hill Fire District No. 1's capital assets can be found in Note 4.

**BOROUGH OF PINE HILL FIRE DISTRICT NO. 1**

Management's Discussion and Analysis

For the Year Ended December 31, 2011

(Cont'd)

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**Long-term Debt**

At the end of the current year, the Borough of Pine Hill Fire District No. 1 had total bonded debt outstanding of \$320,000.00. The 2012 adopted budget has an appropriation of \$105,000.00 representing the payment of the annual principal (refer to audit exhibit I-1, Schedule of Serial Bond, for more detail).

On January 5, 2012, the Fire District entered into a 10 year lease agreement for the purchase of a Rescue Pumper Emergency Vehicle in the amount of \$562,440.00 through Community Leasing Partners at a rate of 3.37%.

**Economic Factors and Next Year's Budget**

For the 2011 year, the Borough of Pine Hill Fire District No. 1 was able to sustain its budget through the Borough tax levy, state aid, and miscellaneous revenue sources. Approximately 94 percent of total revenue is from local tax levy, while less than 1 percent of the Borough of Pine Hill Fire District No. 1's revenue is from state aid (restricted and not restricted). The 2012 budget was adopted January 5, 2012 by the Commissioners, and the voters subsequent approved the budget at the annual fire district election held on February 18, 2012.

**Requests for Information**

This financial report is designed to provide a general overview of the Borough of Pine Hill Fire District No. 1's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Maria Hassett, Fire District Administrator at the Borough of Pine Hill Fire District No. 1, 1109 Erial Road, Pine Hill, New Jersey 08021 or email at [mhassett@pinehillboronj.com](mailto:mhassett@pinehillboronj.com).



## **BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS**

**BOROUGH OF PINE HILL FIRE DISTRICT NO. 1**  
Statement of Net Assets  
December 31, 2011

**ASSETS:**

Cash and Cash Equivalents	\$ 374,194.55
Prepaid Expenses	16,906.54
Deferred Assets;	
Bond Issuance Costs	7,650.34
Restricted Assets:	
Restricted Cash and Cash Equivalents	150,000.00
Capital Assets, net (Note 4)	<u>337,641.36</u>
 Total Assets	 <u>886,392.79</u>

**LIABILITIES:**

Accounts Payable	30,588.66
Accrued Interest Payable	6,052.87
Noncurrent Liabilities (Note 5):	
Due within One Year	105,000.00
Due beyond One Year	<u>237,500.95</u>
 Total Liabilities	 <u>379,142.48</u>

**NET ASSETS:**

Invested in Capital Assets, Net of Related Debt	25,291.70
Restricted for:	
Capital Projects	150,000.00
Unrestricted	<u>331,958.61</u>
 Total Net Assets	 \$ <u><u>507,250.31</u></u>

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

**BOROUGH OF PINE HILL FIRE DISTRICT NO. 1**

## Statement of Activities

For the Year Ended December 31, 2011

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Expenses:		
Operating Appropriations:		
Administration	\$	165,443.59
Cost of Operations and Maintenance		557,429.89
Interest on Long-Term Debt		<u>15,372.93</u>
Total Program Expenses		<u>738,246.41</u>
General Revenues:		
Taxes:		
Property Taxes, Levied for General Purposes		654,225.18
Taxes Levied for Debt Service		117,153.82
State Aid Unrestricted		3,945.00
Miscellaneous Income		<u>37,096.50</u>
Total General Revenues		<u>812,420.50</u>
Increase in Net Assets		74,174.09
Net Assets, January 1 (Note 1)		<u>433,076.22</u>
Net Assets, December 31	\$	<u><u>507,250.31</u></u>

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

## **FUND FINANCIAL STATEMENTS**

**BOROUGH OF PINE HILL FIRE DISTRICT NO. 1**  
Balance Sheet  
Governmental Funds  
December 31, 2011

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 374,194.55	\$ 150,000.00	\$ -	\$ 524,194.55
Prepaid Expenses	<u>16,906.54</u>	<u>                    </u>	<u>                    </u>	<u>16,906.54</u>
<b>Total Assets</b>	<b><u>\$ 391,101.09</u></b>	<b><u>\$ 150,000.00</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 541,101.09</u></b>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ <u>30,588.66</u>	<u>                    </u>	<u>                    </u>	\$ <u>30,588.66</u>
<b>Total Liabilities</b>	<u>30,588.66</u>	<u>-</u>	<u>-</u>	<u>30,588.66</u>
<b>Fund Balances:</b>				
<b>Restricted:</b>				
Capital Projects	<u>                    </u>	\$ 150,000.00	<u>                    </u>	150,000.00
<b>Assigned:</b>				
Subsequent Year's Expenditures	80,000.00	<u>                    </u>	<u>                    </u>	80,000.00
Other Purposes	33,281.08	-	<u>                    </u>	33,281.08
<b>Unassigned, Reported in:</b>				
General Fund	<u>247,231.35</u>	<u>                    </u>	<u>                    </u>	<u>247,231.35</u>
<b>Total Fund Balances</b>	<u>360,512.43</u>	<u>150,000.00</u>	<u>-</u>	<u>510,512.43</u>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 391,101.09</u></b>	<b><u>\$ 150,000.00</u></b>	<b><u>\$ -</u></b>	

Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$1,663,945.16, and the accumulated depreciation is \$1,326,303.80.

337,641.36

Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because:

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

7,650.34

Accrued interest payable is not due and payable in the current period and, therefore, is not reported as liabilities in the funds.

(6,052.87)

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.

(342,500.95)

Net assets of governmental activities

\$ 507,250.31

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

**BOROUGH OF PINE HILL FIRE DISTRICT NO. 1**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2011

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:				
Operating Grant Revenue	\$ 3,945.00			\$ 3,945.00
Amount to be Raised by Taxation to Support the District Budget	654,225.18		\$ 117,153.82	771,379.00
Non-Budgetary Revenues	<u>37,096.50</u>			<u>37,096.50</u>
Total Revenues	<u>695,266.68</u>	<u>-</u>	<u>117,153.82</u>	<u>812,420.50</u>
EXPENDITURES:				
Operating Appropriations:				
Administration	161,816.99			161,816.99
Cost of Operations and Maintenance	458,636.25			458,636.25
Debt Service:				
Principal			100,000.00	100,000.00
Interest and Other Charges			<u>17,206.26</u>	<u>17,206.26</u>
Total Expenditures	<u>620,453.24</u>	<u>-</u>	<u>117,206.26</u>	<u>737,659.50</u>
Excess (Deficiency) of Revenues over Expenditures	<u>74,813.44</u>	<u>-</u>	<u>(52.44)</u>	<u>74,761.00</u>
Fund Balance, January 1	<u>285,698.99</u>	\$ <u>150,000.00</u>	<u>52.44</u>	<u>435,751.43</u>
Fund Balance, December 31	<u>\$ 360,512.43</u>	<u>\$ 150,000.00</u>	<u>\$ -</u>	<u>\$ 510,512.43</u>

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

**BOROUGH OF PINE HILL FIRE DISTRICT NO. 1**  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended December 31, 2011

Total Net Change in Fund Balances - Governmental Funds	\$	74,761.00
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <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	\$	(96,835.73)
Fixed Asset Additions		-
		(96,835.73)
Repayment of long-term debt 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.		100,000.00
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.		(3,009.97)
Interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This amount is the net effect of the difference in the treatment of interest on long-term debt.		1,833.33
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		(2,574.54)
Change in Net Assets of Governmental Activities	\$	74,174.09

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



**BOROUGH OF PINE HILL FIRE DISTRICT NO. 1**

Notes to Financial Statements  
For the Year Ended December 31, 2011

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

**Description of the Reporting Entity** - Fire District No. 1 of the Borough of Pine Hill ("the Fire District") is a political subdivision of the Borough of Pine Hill, Camden County, New Jersey. It was formed in January, 1988. A board of five commissioners oversees all operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of every February.

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 firefighting services to the residents within its territorial location. Fire District No. 1 of the Borough of Pine Hill has one fire company within its jurisdiction, the Pine Hill Fire Company.

**Component Units** - GASB Statement No. 14, *The Financial Reporting Entity*, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. As of December 31, 2011, it has been determined by the Fire District that no component units exist.

**Basis of Presentation** - The financial statements of the Borough of Pine Hill Fire District No. 1 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Fire District's accounting policies are described in this Note.

The Fire District's basic financial statements consist of district-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

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

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

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

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

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

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

**Capital Projects Fund** - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of major capital facilities such as fire houses and firefighting apparatus. Generally, the financial resources of the capital projects fund are derived from the issuance of debt or by the utilization of fund balance, which must be authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

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

**Measurement Focus**

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

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

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

**Basis of Accounting** - Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

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

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

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

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

The fire commissioners must introduce and approve the annual budget not later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the Fire District. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the fire commissioners may, by majority vote, adopt the budget.

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

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

**Budgets / Budgetary Control (Cont'd)** – Subsequent to the adoption of the Fire District budget, the amount of money to be raised by taxation in support of the Fire District budget must appear on the ballot for the annual election for approval of the legal voters.

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

Amounts reported under "final budget" on Exhibit C-1 and I-3 includes modifications to the adopted budget that were made during the year as approved by the Board of Commissioners.

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

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

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

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

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

New Jersey governments are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 40A:5-15.1 provides a list of permissible investments that may be purchased by New Jersey governments.

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

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

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

**Inventories and Prepaid Expenses** - The cost of inventories in governmental fund types is recorded as expenditures when purchased rather than when consumed. Inventories recorded on the district-wide financial statements are recorded as expenditures when consumed rather than when purchased.

Prepaid expenses recorded in the governmental fund types, which benefit future periods, are recorded as an expenditure during the year of purchase. Prepaid expenses recorded on the district-wide financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2011.

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

**Capital Assets** - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide Statement of Net Assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Fire District maintains a capitalization threshold of \$2,000.00. The Fire District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	10 Years
Furniture and Equipment	5 Years
Vehicles	10 Years

N.J.S.A. 40A:14-84 governs the procedures for the acquisition of property and equipment for Fire Districts, and N.J.S.A. 40A:14-85 to 87 governs procedures for the issuance of any debt related to such purchases. In summary, Fire Districts may purchase firefighting apparatus and equipment and land and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or 2 percent of the assessed valuation of property, whichever is larger.

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

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

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

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

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

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

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

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

**Fund Balance** - The Fire District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the Fire District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Fire District's classifications, and policies for determining such classifications, are as follows:

**Non-spendable** - The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

**Restricted** - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

**Committed** - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Fire District's highest level of decision-making authority, which, for the Fire District, is the Board of Commissioners. Such formal action consists of an affirmative vote by the Board of Commissioners, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Commissioners removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

**Assigned** - The assigned fund balance classification includes amounts that are constrained by the Fire District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Commissioners or by the business manager, to which the Board of Commissioners has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business manager is established by way of a formal job description for the position, approved by the Board of Commissioners.

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

**Unassigned** - The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the Fire District to spend restricted fund balances first. Moreover, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the Fire District to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

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

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

**Note 2: CASH AND CASH EQUIVALENTS**

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

As of December 31, 2011, none of the Fire District's bank balances of \$527,621.90 were exposed to custodial credit risk.

**Note 3: PROPERTY TAX LEVIES**

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

<u>Year</u>	<u>Assessed Valuation</u>	<u>Total Tax Levy</u>	<u>Tax Rate</u>
2011	\$ 533,558,765.00	\$ 771,379.00	\$.145
2010	539,489,564.00 (1)	742,176.00	.138
2009	276,665,560.00	716,459.00	.259
2008	276,075,443.00	689,011.00	.250
2007	276,080,556.00	652,961.00	.238

(1) Revaluation - 2010

**Note 4: CAPITAL ASSETS**

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

	<u>Balance</u> <u>Jan. 1, 2011</u>	<u>Increases</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Vehicles and Apparatus	\$ 1,480,540.78	-	\$ 1,480,540.78
Fire Equipment	179,327.66	-	179,327.66
Office Equipment	4,076.72	-	4,076.72
Total Capital Assets being Depreciated	<u>1,663,945.16</u>		<u>1,663,945.16</u>
Less Accumulated Depreciation:			
Vehicles and Apparatus	1,081,232.13	\$ 88,045.50	1,169,277.62
Fire Equipment	145,180.27	8,449.89	153,630.16
Office Equipment	3,055.68	340.34	3,396.02
Total Accumulated Depreciation	<u>1,229,468.08</u>	<u>96,835.73</u>	<u>1,326,303.80</u>
Capital Assets, net	<u>\$ 434,477.08</u>	<u>\$ 96,835.73</u>	<u>\$ 337,641.36</u>

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

Administration	\$ 340.34
Cost of Operations and Maintenance	<u>96,495.39</u>
Total Depreciation Expense	<u>\$ 96,835.73</u>

**Note 5: LONG-TERM OBLIGATIONS**

During the year ended December 31, 2011, the following changes occurred in long-term obligations:

	<u>Principal</u> <u>Outstanding</u> <u>Jan. 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Principal</u> <u>Outstanding</u> <u>Dec. 31, 2011</u>	<u>Due Within</u> <u>One Year</u>
General Serial Bonds	\$ 420,000.00		\$ (100,000.00)	\$ 320,000.00	\$ 105,000.00
Compensated Absences	19,926.41	\$ 2,574.54		22,500.95	
Total Governmental Activities Long-term Liabilities	<u>\$ 439,926.41</u>	<u>\$ 2,574.54</u>	<u>\$ (100,000.00)</u>	<u>\$ 342,500.95</u>	<u>\$ 105,000.00</u>

**Bonds Payable** - Bonds and loans are authorized in accordance with State law by the voters of the Fire District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Fire District are general obligation bonds.

On July 15, 2004, the Fire District issued \$950,000 general obligation bonds at interest rates varying from 3.50% to 4.25% for the acquisition of an aerial ladder truck and ancillary equipment. The final maturity of these bonds is July 15, 2014. The bonds will be paid from property taxes.



**Note 5: LONG-TERM OBLIGATIONS (CONT'D)**

Principal and interest due on bonds outstanding is as follows:

<u>Year Ending Dec. 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 105,000.00	\$ 13,206.25	\$ 118,206.25
2013	105,000.00	9,006.25	114,006.25
2014	<u>110,000.00</u>	<u>4,675.00</u>	<u>114,675.00</u>
	<u>\$ 320,000.00</u>	<u>\$ 26,887.50</u>	<u>\$ 346,887.50</u>

**Bonds Authorized But Not Issued** - As of December 31, 2011, the Fire District had no authorized but not issued bonds.

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

**Note 6: LEASES**

**Lease Obligations** - At December 31, 2011, the Fire District had lease agreements in effect for the following:

Operating:  
Cannon 2022 Copy Machine

Operating Leases - Future minimum rental payments under operating lease agreements are as follows:

<u>Year Ending Dec. 31,</u>	<u>Amount</u>
2012	\$ 1,752.00
2013	1,752.00
2014	<u>584.00</u>
	<u>\$ 4,088.00</u>

Rental payments under operating leases for the year ended December 31, 2011 were \$1,752.00.

**Note 7: PENSION PLANS**

The Borough of Pine Hill Fire District contributes to two cost-sharing multiple-employer defined benefit pension plans, the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), which are administered by the New Jersey Division of Pensions and Benefits. In addition, Fire District employees may be eligible to participate in the Defined Contribution Retirement Program (DCRP), which is a defined contribution pension plan and is also administered by the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

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

**Note 7: PENSION PLANS (CONT'D)**

**Public Employees' Retirement System** - The PERS was established in 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate will be increased to 6.5% plus an additional 1.0% phased-in over seven years beginning in the first year. The phase-in of the additional incremental member contribution amount will take place in July of each subsequent year. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Fire District is billed annually for its normal contribution plus any accrued liability. These contributions, equal to the required contributions, were as follows:

<u>Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Non-Contributory Group Life Insurance</u>	<u>Total Liability</u>	<u>Funded by Fire District</u>
2011	\$6,013.00	\$9,582.00	\$1,184.00	\$16,779.00	\$ 16,779.00
2010	4,963.00	6,376.00	1,572.00	12,911.00	12,911.00
2009	4,702.00	5,438.00	1,260.00	11,400.00	11,400.00

**Police and Firemen's Retirement System** - The PFRS was established in 1944. The PFRS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:16A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 204, P.L. 1989, plan members enrolled in the Police and Firemen's Retirement System are required to contribute 8.5% of their annual covered salary. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate will be increased to 10% in October, 2011. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Fire District is billed annually for its normal contribution plus any accrued liability. These contributions, equal to the required contributions, were as follows:

<u>Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Non-Contributory Group Life Insurance</u>	<u>Total Liability</u>	<u>Funded by Fire District</u>
2011	\$8,587.00	\$6,885.00	\$673.00	\$16,145.00	\$16,145.00
2010	7,193.00	5,124.00	626.00	12,943.00	12,943.00
2009	6,485.00	4,487.00	451.00	11,423.00	11,423.00

**Note 7: PENSION PLANS (CONT'D)**

**Defined Contribution Retirement Program** - The Defined Contribution Retirement Program (DCRP) is a cost-sharing multiple-employer defined contribution pension fund which was established in 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Fire District's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

As of December 31, 2011, the Fire District did not have any employees that participated in the Defined Contribution Retirement Program. Therefore, no contributions have been made.

**Related Party Investments** - The Division of Pensions and Benefits does not invest in securities issued by the Fire District.

**Note 8: RISK MANAGEMENT**

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

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

**New Jersey Unemployment Compensation Insurance** - The Fire District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributions Method". Under this plan, a contribution rate is established annually for the Fire District share of unemployment tax. This rate is based on cost experience for all government employees.

**Note 9: COMPENSATED ABSENCES**

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

The Fire District Administrator accumulates fifteen (15) sick days per year that can accrue with no limit. At departure, the Fire District compensates the Administrator for all unused sick time at the rate of pay at termination or retirement. The Administrator is not compensated for unused vacation time, and unused vacation time does not accumulate.

The Career Firefighters accumulate sick days according to the contract guidelines and can be accrued with no limit. The Career Firefighters at the time of termination after achieving twenty-five (25) years of service, reaching fifty-five (55) years of age, death or retirement due to disability, will be paid for all accumulated time at the rate of pay in effect at departure. In the case of a departure not previously described, the employee will not be compensated for accumulated sick time. Unused vacation time can be carried over to the succeeding year only, and the employees can sell back up to five (5) unused vacation days in the year accumulated. At the time of separation, the employees can receive payment for unused time on a prorated basis.

**Note 9: COMPENSATED ABSENCES (CONT'D)**

Part-time employees are not compensated for absences.

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. As of December 31, 2011, the liability for compensated absences in the governmental fund types was \$22,500.95.

**Note 10: FUND BALANCES APPROPRIATED**

The 2012 annual budget of the Fire District was adopted on January 5, 2012 and subsequently approved by the voters at the annual election. The budget utilized \$80,000.00 of fund balance in the General Fund.

The following presents the fund balance as of the end of the last five years and the amount utilized in the subsequent year's budget:

<u>Year</u>	<u>Balance Dec. 31</u>	<u>Utilization in Subsequent Budget</u>
2011	\$ 360,456.25	\$ 80,000.00
2010	285,698.99	76,000.00
2009	263,911.41	73,000.00
2008	251,337.91	73,000.00
2007	227,368.81	73,000.00

**Note 11: FUND BALANCES****RESTRICTED**

As stated in note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the Fire District's fund balance are summarized as follows:

**Capital Projects Fund –**

**Future Capital Outlays** - These funds are restricted for future capital expenditures to be made in future years. When the Fire District desires to utilize these funds in their annual budget, a capital resolution must be passed by the Board of Fire Commissioners prior to any expenditure against a capital appropriation. As of December 31, 2011, the balance is \$150,000.00.

**Note 11: FUND BALANCES (CONT'D)****ASSIGNED**

As stated in note 1, the assigned fund balance classification includes amounts that are constrained by the Fire District's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the Fire District's fund balance are summarized as follows:

**General Fund -**

**Other Purposes** - As of December 31, 2011, the Fire District had \$33,281.08 of encumbrances outstanding for purchase orders and contracts signed by Fire District, but not completed, as of the close of the year.

**For Subsequent Year's Expenditures** - The Fire District has appropriated and included as anticipated revenue for the year ending December 31, 2012, \$80,000.00 of general fund balance at December 31, 2011.

**UNASSIGNED**

As stated in note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The Fire District's unassigned fund balance is summarized as follows:

**General Fund** - As of December 31, 2011, \$247,231.35 of general fund balance was unassigned.

**Note 12: SUBSEQUENT EVENTS**

On January 5, 2012, the Borough of Pine Hill Fire District entered into a ten year lease purchase agreement for the purchase of a rescue pumper emergency vehicle in the amount of \$562,440.00 at an interest rate of 3.37%. The first annual payment in the amount of \$67,572.94 is due on December 12, 2012.

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

**BUDGETARY COMPARISON SCHEDULES**

**BOROUGH OF PINE HILL FIRE DISTRICT NO. 1**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
<b>REVENUES:</b>					
Operating Grant Revenue:					
Supplemental Fire Services Grant (P.L. 1985, Ch. 295)	\$ 3,945.00	-	\$ 3,945.00	\$ 3,945.00	-
Amount to be Raised by Taxation to Support the District Budget	<u>654,169.00</u>		<u>654,169.00</u>	<u>654,225.18</u>	<u>56.18</u>
Total Anticipated Revenues	<u>658,114.00</u>	<u>-</u>	<u>658,114.00</u>	<u>658,170.18</u>	<u>56.18</u>
Non-Budgetary Revenues:					
Miscellaneous Revenues Not Anticipated				<u>37,096.50</u>	<u>\$ 37,096.50</u>
Total Non-Budgetary Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,096.50</u>	<u>37,096.50</u>
Total Revenues	<u>658,114.00</u>	<u>-</u>	<u>658,114.00</u>	<u>695,266.68</u>	<u>37,152.68</u>
<b>EXPENDITURES:</b>					
Operating Appropriations:					
Administration:					
Salary and Wages:					
Commissioners	12,000.00		12,000.00	11,800.00	200.00
Administrator	55,700.00		55,700.00	53,532.73	2,167.27
Assistant Clerk	3,000.00	\$ 1,000.00	4,000.00	3,787.72	212.28
Fire Official	26,925.00	(2,500.00)	24,425.00	13,462.54	10,962.46
Overtime, Longevity, Sick Buy Back	5,000.00	(500.00)	4,500.00	4,128.59	371.41
Fringe Benefits	38,479.00	(3,000.00)	35,479.00	34,731.91	747.09
Other Expenses:					
Election	1,000.00		1,000.00	919.04	80.96
Training and Education	1,000.00		1,000.00	294.00	706.00
Office Expenses	5,650.00	(2,500.00)	3,150.00	1,890.48	1,259.52
Professional Services	25,500.00	4,039.00	29,539.00	29,229.08	309.92
Computer Maintenance and Support	5,000.00		5,000.00	3,380.50	1,619.50
Other	7,200.00	10,000.00	17,200.00	4,660.40	12,539.60
Total Administration	<u>186,454.00</u>	<u>6,539.00</u>	<u>192,993.00</u>	<u>161,816.99</u>	<u>31,176.01</u>

(Continued)



**BOROUGH OF PINE HILL FIRE DISTRICT NO. 1**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
EXPENDITURES (CONT'D):					
Operating Appropriations (Cont'd):					
Cost of Operations and Maintenance:					
Salary and Wages:					
Firefighters	\$ 125,500.00		\$ 125,500.00	\$ 122,576.80	\$ 2,923.20
Overtime & Sicktime Buyback	12,000.00	\$ 2,000.00	14,000.00	8,869.96	5,130.04
Fringe Benefits	86,720.00		86,720.00	60,059.00	26,661.00
Other Expenses:					
Advertising	1,000.00	500.00	1,500.00	1,111.44	388.56
Insurance	105,000.00	(12,500.00)	92,500.00	67,984.30	24,515.70
Maintenance and Repair	43,000.00	24,277.72	67,277.72	51,877.72	15,400.00
Promotions	1,000.00	830.51	1,830.51	1,829.51	1.00
Supplies Expense	13,500.00	(2,260.34)	11,239.66	11,195.39	44.27
Station Leasing	86,000.00		86,000.00	86,000.00	-
Training and Education	10,500.00	(6,052.80)	4,447.20	4,445.20	2.00
Uniforms	3,000.00	(836.43)	2,163.57	2,161.57	2.00
Purchase of Assets	16,000.00	(10,328.16)	5,671.84	5,670.84	1.00
License and Permits	200.00		200.00		200.00
EMT Stipends	500.00	(173.00)	327.00	326.00	1.00
Firefighter Stipends	15,000.00	(1,996.50)	13,003.50	12,998.41	5.09
Supplemental Fire Services Grant	4,340.00		4,340.00	249.00	4,091.00
Professional Services	20,000.00		20,000.00	17,004.00	2,996.00
Copier Lease	2,000.00		2,000.00	1,885.46	114.54
Utilities	2,400.00		2,400.00	2,391.65	8.35
Total Cost of Operations and Maintenance	<u>547,660.00</u>	<u>(6,539.00)</u>	<u>541,121.00</u>	<u>458,636.25</u>	<u>82,484.75</u>
Total Expenditures	<u>734,114.00</u>	<u>0.00</u>	<u>734,114.00</u>	<u>620,453.24</u>	<u>113,660.76</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (76,000.00)</u>	<u>\$ (0.00)</u>	<u>\$ (76,000.00)</u>	<u>74,813.44</u>	<u>\$ 150,813.44</u>
Fund Balance, Beginning				<u>285,698.99</u>	
Fund Balance, Ending				<u>\$ 360,512.43</u>	
Recapitulation:					
Assigned:					
Year-End Encumbrances				\$ 33,281.08	
Designated for Subsequent Years Expenditures				80,000.00	
Unassigned				<u>247,231.35</u>	
				<u>\$ 360,512.43</u>	

**BOROUGH OF PINE HILL FIRE DISTRICT NO. 1**

Required Supplementary Information

Budgetary Comparison Schedule

Note to RSI

For the Year Ended December 31, 2011

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

	<u>General Fund</u>
Sources / Inflows of Resources:	
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 695,266.68
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	<u>\$ 695,266.68</u>
Uses / Outflows of Resources:	
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 620,453.24
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 620,453.24</u>

**OTHER SUPPLEMENTARY INFORMATION**

## **LONG-TERM DEBT**

**BOROUGH OF PINE HILL FIRE DISTRICT NO. 1**  
 Schedule of General Obligation Bonds  
 For the Year Ended December 31, 2011

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance Jan. 1, 2011</u>	<u>Retired</u>	<u>Balance Dec. 31, 2011</u>
			<u>Date</u>	<u>Amount</u>				
Acquisition of Aerial Ladder Truck and Ancillary Equipment	07/15/04	\$ 950,000.00	7/15/12	\$ 105,000.00	4.000%	\$ 420,000.00	\$ 100,000.00	\$ 320,000.00
			7/15/13	105,000.00	4.125%			
			7/15/14	110,000.00	4.250%			
						\$ 420,000.00	\$ 100,000.00	\$ 320,000.00

**BOROUGH OF PINE HILL FIRE DISTRICT NO. 1**  
 Budgetary Comparison Schedule  
 Debt Service Fund  
 For the Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
<b>REVENUES:</b>				
Amount to be Raised by Taxation to Support the District Budget	\$ <u>117,210.00</u>	\$ <u>117,210.00</u>	\$ <u>117,153.82</u>	<u>(56.18)</u>
<b>EXPENDITURES:</b>				
Principal Payments:				
General Obligation Bonds	100,000.00	100,000.00	100,000.00	-
Interest Payments:				
General Obligation Bonds	<u>17,210.00</u>	<u>17,210.00</u>	<u>17,206.26</u>	\$ <u>3.74</u>
Total Expenditures	<u>117,210.00</u>	<u>117,210.00</u>	117,206.26	<u>3.74</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	(52.44)	\$ <u><u>(52.44)</u></u>
Fund Balance, January 1			<u>52.44</u>	
Fund Balance, December 31			\$ <u><u>0.00</u></u>	

## **SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

**BOROUGH OF PINE HILL FIRE DISTRICT NO. 1**  
Schedule of Findings and Recommendations  
For the Year Ended December 31, 2011

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***Schedule of Financial Statement Findings***

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

None



**BOROUGH OF PINE HILL FIRE DISTRICT NO. 1**  
Summary Schedule of Prior Year Audit Findings  
And Questioned Costs as Prepared by Management

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

None

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**APPRECIATION**

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

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

