TOWNSHIP OF UPPER FIRE DISTRICT #2

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTAL INFORMATION

YEAR ENDED DECEMBER 31, 2009

TOWNSHIP OF UPPER FIRE DISTRICT #2
YEAR ENDED DECEMBER 31, 2009
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To the Board of Commissioners
Township of Upper Fire District #2
Tuckahoe, New Jersey 08250

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities and the fund financial statements of the Township of Upper Fire District #2, State of New Jersey, as of and for the year ended December 31, 2009, which collectively comprise the Fire District's basic financial statements, as listed in the accompanying table of contents. These basic financial statements are the responsibility of Township of Upper Fire District #2's management. Our responsibility is to express an opinion 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, *Government Auditing Standards,* issued by the Controller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts 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 fund financial statements of the Township of Upper Fire District #2, State of New Jersey, as of December 31, 2009 and the respective changes in financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 8 and the budgetary comparison information on page 15 are not a required part of the basic financial statements but are supplementary information required by Generally Accepted Accounting Principles in the United States of America. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and the presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprised the Township of Upper Fire District #2, State of New Jersey's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 22, 2010 on our consideration of the Township of Upper Fire District #2, State of New Jersey's internal control structure 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.

Ford, Scott, & Associates L.L.C.

FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

October 22, 2010

REQUIRED SUPPLEMENTARY INFORMATION - PART I

MANAGEMENT'S DISCUSSION & ANALYSIS OF THE TOWNSHIP OF UPPER FIRE DISTRICT #2

The discussion and analysis of Township of Upper Fire District #2's financial performance provides an overall review of the Fire District's financial activities for the fiscal year ended December 31, 2009. The intent of this discussion and analysis is to look at the Fire District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Fire District's financial performance.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 - Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued in June 1999. Certain comparative information between the current year (2009) and the prior year (2008) is required to be presented in the MD&A.

OVERVIEW:

The Township of Upper Fire District #2, hereafter referred to as the "Fire District," is a primary governmental entity located in the Township of Upper, State of New Jersey. The Fire District is run by a board of commissioners who are elected into office by the registered voters of District #2 in the Township of Upper.

The Fire District is responsible for establishing a budget and maintaining fiscal control over public funds that are used to provide for the safety and welfare of the residents located within District #2 in the Township of Upper. Under existing statute, the Fire District is exempt from both Federal and State taxes.

The accounts of the Fire District are maintained in accordance with the principles of "fund accounting." One fund, the General Fund is used to account for all revenues and expenditures applicable to the general operations of the Fire District.

Funding is acquired through property tax levies. In 2009, the total tax levy was $417,000, which corresponds to a property tax rate of 0.108 per $100 of assessed valuation.

Financial Highlights

Key financial highlights for 2009 are as follows:

- In total, net assets increased $92,984.75, which represents a 65.89% increase from 2008.
- General Revenues in the form of property tax assessments and accounted for $417,000.00 or 99.71% of the total revenues of $418,212.64.
- Total assets of governmental activities increased by $141,709.37 as cash and cash equivalents increased by $141,777.98. Prepaid expenses decreased by $68.61.
- The Fire District had $346,507.89 in expenses. General revenues (primarily property tax assessments) were in the amount of $418,212.64.

Reporting the Fire District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains only one fund used by the Fire District to provide programs and activities, the view of the Fire District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the modified accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Fire District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the commission as a whole, the financial position of the Fire District have improved or diminished. The causes of this change may be the result of many factors, some financial and some not.

Reporting the Fire District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Fire District's funds. The Fire District uses one fund to account for all financial transactions. The Fire District's governmental fund is the General Fund.

Governmental Funds

The Fire District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Fire District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. 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.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 11 to 14 of this report.

The Fire District as a Whole

Recall that the Statement of Net Assets provides the perspective of the Fire District as a whole. Net assets may serve over time as a useful indicator of a government's financial position.

Table 1 provides a summary of the Fire District's net assets for 2009 and for 2008.

Table 1
Net Assets

	2009	2008
Assets		
Current and Other Assets	$ 321,343.01	$ 179,633.64
Total Assets	321,343.01	179,633.64
Liabilities		
Other Liabilities	48,724.62	-
Total Liabilities	48,724.62	-
New Assets		
Reserved for Equipment	51,280.00	30,000.00
Unrestricted	221,338.39	149,633.64
Total Net Assets	$ 272,618.39	$ 179,633.64

The Fire District's combined net assets were $272,618.39 on December 31, 2009. This was a decrease of $92,984.75 from 2008.

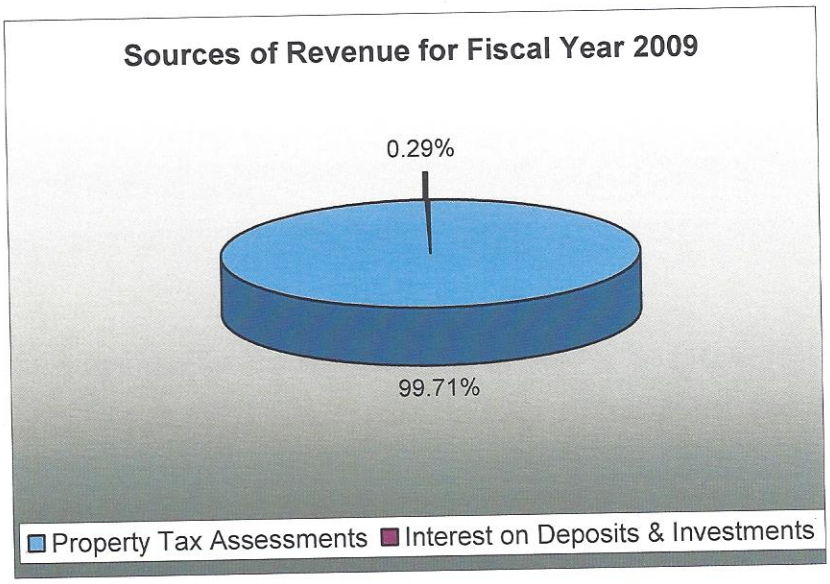
Table 2 shows changes in net assets for fiscal year 2009 and 2008.

Table 2
Changes in Net Assets

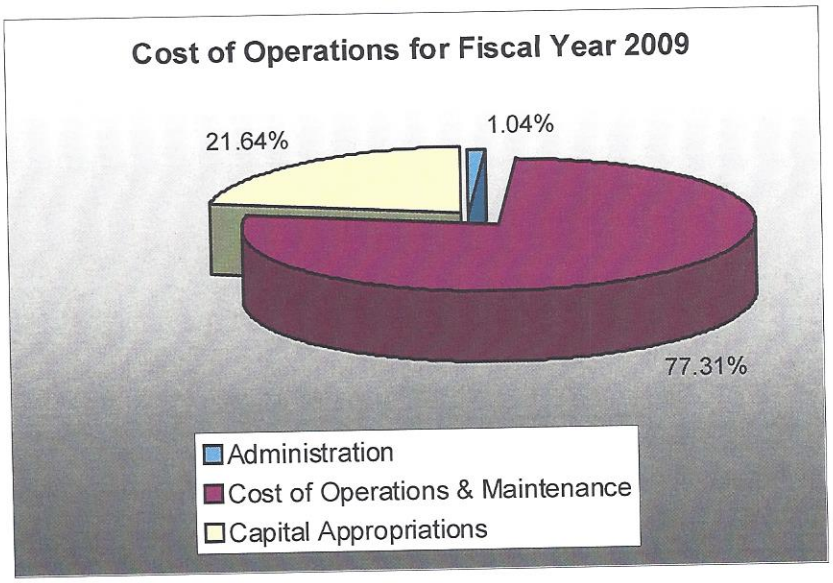
	2009	2008
Revenues		
General Revenues:		
Property Tax Assessments	$ 417,000.00	$ 367,700.00
Other	1,212.64	4,307.30
Total Revenues	418,212.64	372,007.30
Program Expenses		
Current	346,507.89	336,069.95
Total Expenses	346,507.89	336,069.95
Excess of Revenue over Expenditures	$ 71,704.75	$ 35,937.35

Governmental Activities

The property tax assessments made up 99.71% of revenues while investment earnings and other revenues made up the remaining .29% of revenues for fiscal year 2009. The Fire District's total revenues were $418,212.64 for the year ended December 31, 2009.



The total cost of operations was $346,507.89.



Business-Type Activities

The Fire District does not have any business-type activities.

The Fire District's Funds

The governmental fund (general fund presented in the fund-based statements) is accounted for using the modified accrual basis of accounting. Total revenues amounted to $418,212.64 and expenditures were $346,507.89.

As demonstrated by the various statements and schedules included in the financial section of this report, the Fire District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended December 31, 2009, and the amount and percentage of total revenues compared to prior year revenues.

Revenue	2009 Amount	Percentage of Total	2008 Amount	Percentage of Total
Property Taxes	$ 417,000.00	99.71%	$ 367,700.00	98.84%
Interest on Deposits and Investments	1,212.64	0.29%	4,307.30	1.16%
Miscellaneous	-	0.00%	-	0.00%
Total	$ 418,212.64	100.00%	$ 372,007.30	100.00%

The following schedule represents a summary of general fund expenditures for the fiscal year ended December 31, 2009, and the percentage of total expenditures compared to prior year amounts.

Expenditures	2009 Amount	Percentage of Total	2008 Amount	Percentage of Total
Current Expense:				
Administration	$ 3,609.63	1.04%	$ 3,163.43	0.94%
Operations & Maintenance	267,898.26	77.31%	292,906.52	87.16%
Capital Appropriations	75,000.00	21.64%	40,000.00	11.90%
Total	$ 346,507.89	100%	$ 336,069.95	100%

General Fund Budgeting Highlights

The Fire District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Capital Assets

At the end of the fiscal year 2009, the Fire District does not own any capital assets.

For the Future

The Township of Upper Fire District #2 is in good financial condition presently.

In conclusion, the Township of Upper Fire District #2 has committed itself to financial excellence for many years. The Fire District plans to continue its sound fiscal management to meet the challenges of the future.

THE ORGANIZATION:

The Fire District is governed by a five member Board of Commissioners who establishes the policies and plans to meet the current and future needs for the Fire District. The current members of the Fire District Board of Commissioners are set forth below:

Name	Position Held
Robert Young	President
Ronald Mayne	Vice President
Scott Mauger	Treasurer
Sam Repici	Secretary
Peter Hartman	At-Large Member

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Fire District's finances and to show the Fire District's accountability for the money it receives. If you have questions about this report or need additional information, contact, Sam Repici, Secretary of the Board of Commissioners at Township of Upper Fire District #2, P.O. Box 539, Tuckahoe, NJ 08250.

FINANCIAL STATEMENTS

TOWNSHIP OF UPPER FIRE DISTRICT #2
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	General Fund	Total	Statement of Net Assets
ASSETS			
Cash and Cash Equivalents	$ 314,688.03	$ 314,688.03	$ 314,688.03
Prepaid Expenses	6,654.98	6,654.98	6,654.98
Total Assets	$ 321,343.01	$ 321,343.01	$ 321,343.01
LIABILITIES			
Liabilities:			
Accounts Payable	$ 48,724.62	$ 48,724.62	$ 48,724.62
Total Liabilities	48,724.62	48,724.62	48,724.62
Fund Balances/Net Assets:			
Reserved for Equipment	51,280.00	51,280.00	51,280.00
Unreserved, reported in:			
General Fund	221,338.39	221,338.39	221,338.39
Total Fund Balance	272,618.39	272,618.39	272,618.39
Total Liabilities and Fund Balance	$ 321,343.01	$ 321,343.01	
Net Assets:			
Reserved for Equipment			51,280.00
Unrestricted			221,338.39
Total Net Assets			$ 272,618.39

TOWNSHIP OF UPPER FIRE DISTRICT #2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund	Total	Statement of Activities
Revenues:			
Taxes	$ 417,000.00	$ 417,000.00	$ 417,000.00
Interest on Deposits and Investments	1,212.64	1,212.64	1,212.64
Miscellaneous	-	-	-
Total Revenues:	418,212.64	418,212.64	418,212.64
Expenditures/ Expenses:			
Current:			
Administrative Costs:			
Election	631.06	631.06	631.06
Office Operations	628.57	628.57	628.57
Professional Services - Administration	2,350.00	2,350.00	2,350.00
Cost of Operations & Maintenance:			
Advertising	1,648.27	1,648.27	1,648.27
Insurance	20,294.01	20,294.01	20,294.01
Maintance and Repairs	11,317.35	11,317.35	11,317.35
Memberships/Dues	300.00	300.00	300.00
Supplies	3,992.23	3,992.23	3,992.23
Training and Education	875.00	875.00	875.00
Utilities and Related Services	19,471.40	19,471.40	19,471.40
Contracted Services - Volunteer Fire Co.	210,000.00	210,000.00	210,000.00
Capital Appropriations:			
Purchase of Fire Truck	75,000.00	75,000.00	75,000.00
Total Expenditures	346,507.89	346,507.89	346,507.89
Excess (deficiency) of Revenues over Expenditures	71,704.75	71,704.75	71,704.75
Fund Balances/Net Assets:			
Beginning of the Year	149,633.64	149,633.64	149,633.64
End of the Year	$ 221,338.39	$ 221,338.39	$ 221,338.39

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of Upper Fire District #2 (the Fire District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Fire District's accounting policies are described below.

A. Reporting Entity

The Fire District's basic financial statements include the accounts of all the Fire District's operations. The Fire District, as a special-purpose government, meets the criteria defining a primary government. As set forth in Government Accounting Standards Board (GASB) 11, a primary government is also a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

B. Basis of Presentation, Measurement Focus and Basis of Accounting

Basis of Presentation

The Fire District's basic financial statements consist of 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 report financial activities of the overall Fire District. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by District assessments, intergovernmental revenues, and other non-exchange transactions from business-type activities, if any, generally financed in whole or in part with fees charged to external parties.

The statement of net assets presents the financial condition of the Fire District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the governmental activity of the Fire District.

Fund Financial Statements: During the fiscal year, the Fire District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Fire District's funds.

Governmental Funds

The Fire District reports the following governmental funds:

General Fund – The general operating fund of Fire District, accounts for all administrative and operational activities of the Fire District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation, Measurement Focus and Basis of Accounting - Continued

Measurement Focus and Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax assessments are recognized as revenues in the year in which they are levied.

Contributions, grants, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net assets.

C. Budget/Budgetary Control

An annual operating budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures in accordance with NJSA 10A:5A. The operating budget, adopted annually, is in the form prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

D. Assets, Liabilities and Equity

Cash, Cash Equivalents and Investments

Cash and cash equivalents include various checking and money market accounts, U.S. obligations, and certificates of deposit with maturities of three months or less.

Investments are carried at cost with associated premiums and discounts amortized over the term of the investment. Purchase of investments is limited by N.J. S. A. 10A:5-15.1 to bonds or obligations of or guaranteed by the federal government and to bonds or other obligations of federal or local units. These investments are required to have a maturity date not more than twelve months from the date of Purchase.

Additionally, the Fire District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA 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. 17:9-11 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 savings and loan institutions, banks (both state and national banks) and savings banks 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Equity - Continued

Accrued Liabilities and Long-Term Obligations

All payables and accrued liabilities are reported on 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.

Net Assets

Net assets represent the difference between assets and liabilities. 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.

Extraordinary and Special Items

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

2. CASH AND INVESTMENTS

Operating cash, in the form of checking and money market savings accounts, is held in the Fire District's name by a commercial banking institution. At December 31, 2009, the carrying amount of the Fire District's deposits was $314,688.03 and the bank balance was $314,913.08.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the Fire District's bank accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the Fire District would not be able to recover the value of its deposits or investment). 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. At December 31, 2009, all of the Fire District's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The Fire District does not have a policy for custodial credit risk.

Investments

Pursuant to the Enabling Act, the funds of the Fire District may be invested in any direct obligations of, or obligations as to which the principal and interest thereof is guaranteed by, the United States of America or other obligations as the Fire District may approve. It invests pooled monies from various State and non-State agencies in primarily short-term investments.

As of December 31, 2009, the Fire District has $0 in investments.

3. CONTINGENCIES AND LITIGATION

In the normal course of business, the Fire District may periodically be named as a defendant in litigation. In the opinion of management, supported by legal counsel, the impact of any such matters, if adversely determined, would not have a material adverse effect on the general-purpose financial statements or operations of the Fire District.

4. DEBT SERVICE

The following tabulation presents the principal and interest requirements for the next five years on District debt issued and outstanding:

None

5. SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2009 and October 22, 2010, the date that the financial statements were issued, for possible disclosure and recognition in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

TOWNSHIP OF UPPER FIRE DISTRICT #2
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budget	Transfers	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:					
Taxes	$ 417,000.00	$	$ 417,000.00	$ 417,000.00	$ -
Fund Balance Appropriated	12,000.00		12,000.00		(12,000.00)
Interest on Deposits and Investments			-	1,212.64	1,212.64
Total Revenues	429,000.00		429,000.00	418,212.64	(10,787.36)
Expenditures:					
Administration:					
Election	500.00		500.00	631.06	(131.06)
Office Operations	1,500.00		1,500.00	628.57	871.43
Professional Services - Administration	4,000.00		4,000.00	2,350.00	1,650.00
Other Rentals or Leases	500.00		500.00	-	500.00
Cost of Operations & Maintenance:					
Advertising	2,000.00		2,000.00	1,648.27	351.73
Insurance	47,000.00		47,000.00	20,294.01	26,705.99
Maintance and Repairs	45,000.00		45,000.00	11,317.35	33,682.65
Memberships / Dues	500.00		500.00	300.00	200.00
Supplies	4,500.00		4,500.00	3,992.23	507.77
Training and Education	3,000.00		3,000.00	875.00	2,125.00
Utilities and Related Services	35,500.00		35,500.00	19,471.40	16,028.60
Contracted Services - Volunteer Fire Co.	210,000.00		210,000.00	210,000.00	-
Capital Appropriations:					
Purchase of Fire Truck	75,000.00		75,000.00	75,000.00	-
Total Expenditures	429,000.00	-	429,000.00	346,507.89	82,492.11
Excess of Revenue over Expenditures	-	-		71,704.75	71,704.75
Fund Balance - January 1	149,633.64		149,633.64	149,633.64	-
Fund Balance - December 31	$ 149,633.64	$	$ 149,633.64	$ 221,338.39	$ 71,704.75

TOWNSHIP OF UPPER FIRE DISTRICT #2
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET-TO-GAAP RECONCILIATION
FOR THE YEAR ENDED DECEMBER 31, 2009

Note A - Explanation of Differences Between Budgetary Inflows and Outflows GAAP Revenue and Expenditures

	General Fund
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	$ 418,212.64
Difference - budget to GAAP: None	
	$ 418,212.64
Uses / outflows of resources Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	$ 346,507.89
Difference - budget to GAAP: None	
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds.	$ 346,507.89

OTHER SUPPLEMENTARY INFORMATION

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

To the Board of Commissioners
Township of Upper Fire District #2
Tuckahoe, New Jersey 08250

We have audited the financial statements – statutory basis of the Township of Upper Fire District #2, State of New Jersey (the "District"), as of and for the year ended December 31, 2009, and have issued our report thereon dated October 22, 2010. Our report disclosed that, as described in Note 1 to the financial statements, the District prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States and audit requirements prescribed by the Division.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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 District'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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services.

This report is intended solely for the information and use of the Township of Upper Fire District #2, State of New Jersey's governing body and management, and the Division of Local Government Services, Department of Community Affairs, State of New Jersey as well as other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

October 22, 2010

TOWNSHIP OF UPPER FIRE DISTRICT #2
STATISTICAL INFORMATION
DECEMBER 31, 2009

Property Tax Levies:

Following is a tabulation of district assessed valuations, tax levies and property tax rates per $100 of assessed valuation for the current and preceding five years:

Year	Assessed Valuations	Total Tax Levy	Property Tax Rates
2009	$ 382,765,763	$ 417,000.00	0.108
2008	381,492,902	367,700.00	0.096
2007	379,492,902	345,000.00	0.091
2006	380,186,399	333,000.00	0.088
2005	163,524,124	301,000.00	0.183
2004	156,691,100	296,000.00	0.188

TOWNSHOP OF UPPER FIRE DISTRICT #2
ROSTER OF OFFICIALS
DECEMBER 31, 2009

Board of Commissioners

Name	Title
Robert Young	Chairman
Ron Mayne	Vice Chairman
Scott Mauger	Treasurer
Sam Repici	Secretary
Pete Hartman	At Large

Condition of Records
The financial records, books of account and minutes maintained by the Treasurer were available and complete

Finding #1

Condition:
District personnel did not perform an analysis of outstanding purchase orders at December 31 and prepare a listing of purchase orders comprising the balance sheet account balances for accounts payable.

Criteria:
The district is required to have a separate listing of accounts payable and encumbrances if applicable.

Effect:
Audit adjustments totaling $48,724.62 were needed to adjust the accounting records to properly reflect the true balances as of December 31 taking into consideration both the status of the orders at December 31 as well as their subsequent liquidation.

Cause:
District personnel were unaware of the fact that this list needed to be created.

Recommendation:
Purchase orders should be reviewed for proper classification at December 31 as accounts payable based upon whether the goods have been received or the services rendered. Reconciliations of the adjusted December 31 balances for accounts payable should be performed and the required schedules be prepared for the year end audit.