

PENNINGTON BOROUGH FIRE DISTRICT NO. 1

December 31, 2013

**BEDARD, KUROWICKI & CO., CPA'S, PC
CERTIFIED PUBLIC ACCOUNTANTS**

PENNINGTON BOROUGH FIRE DISTRICT NO. 1

For the Year Ended December 31, 2013

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 5
Basic Financial Statements:	
District-Wide Financial Statements:	
Statement of Net Position	6
Statement of Activities and Changes in Net Position	7
Fund Financial Statements:	
Balance Sheet - Governmental Funds	8
Reconciliation of Governmental Fund Position to the District-Wide Statement of Net Position	9
Statement of Revenue, Expenses and Changes in Fund Balance	10
Notes to the Financial Statements	11 - 13
Required Supplementary Information:	
Schedule of Budget vs Actual - General Fund	14
Schedule of Officials and Surety Bond	15
Independent Auditors' 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	16 - 17
Schedule of Findings and Responses	18 - 19



Bedard, Kurowicki & Co.
Certified Public Accountants, PC
www.bkc-cpa.com

Independent Auditors' Report

Board of Fire Commissioners
Pennington Borough Fire District No. 1
Pennington, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Pennington Borough Fire District No. 1, a political subdivision of the Borough of Pennington, New Jersey which comprise the statement of net position as of December 31, 2013 and the related statement of activities and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents for the year ended December 31, 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Pennington Borough Fire District No. 1, as of December 31, 2013, and the respective changes in financial position thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and roster of officials and surety bond on pages 4-6, 15 and 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it an essential part of the financial reporting for placing the basic financial statements in an appropriated operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basis financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with the *Government Auditing Standards*, we have also issued our report dated April 15, 2014, on our consideration of the Pennington Borough Fire District No. 1 internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pennington Borough Fire District No. 1's internal controls over financial reporting and compliance.

Bedard, Kurowicki & Co.
BEDARD, KUROWICKI & CO., CPA'S, PC

April 15, 2014
Flemington, New Jersey

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
BOROUGH OF PENNINGTON
Management's Discussion and Analysis
For the Year Ended December 31, 2013**

Our discussion and analysis of the financial performance of Pennington Borough Fire District No. 1 provides an overview of the District's financial activities for the year ended December 31, 2013. Please review it in conjunction with the District's basic financial statements which begin on page 6.

Financial Highlights

Total net position increased \$81,367 which represents 38.67 percent decrease from 2012. The excess revenue over expenditures was \$73,172 after transfers in the General fund. The increase in net position reserved for capital projects was \$68,846 and the decrease in net position invested in capital assets was \$60,553.

The amount raised by taxation was \$149,000 or 32.6 percent of all revenue and other funding sources. Funds from an adjoining municipality, transfers from the Capital fund and interest totaled \$308,486 or 67.4 percent of all revenue and other funding sources.

Total program expenses have increased \$29,765 or 11.03 percent. Expenditures for capital projects were \$16,040 and \$229,712 in 2013 and 2012, respectively.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on page 6 and 7) provide information about the activities of the District as a whole. Fund financial statements start on page 8. These statements tell how these services were financed. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

Reporting the District as a Whole

The Statement of Net position and the Statement of Activities

Our analysis of the District as a whole begins on page 6. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the District's *net position* and changes to them.

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
BOROUGH OF PENNINGTON
Management's Discussion and Analysis
For the Year Ended December 31, 2013**

You can think of the District's net position - the difference between assets and liabilities - as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating.

Reporting the District's Most Significant Funds

Fund Financial Statements

Our analysis of the District's major funds begins on page 8. The fund financial statements provide detailed information about the most significant funds - not the District as a whole.

General Fund - Most of the District's basic services are reported in the General fund, which focuses on how money flows into and out of the funds and the balances left at year-end that are available for spending. The General fund statements provide a detailed *short-term view* of the District's general operations and the basic services it provides. General fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Capital Fund - The Capital fund represents money allocated for future capital expenditures.

The District as a Whole

The District's total net position increased \$81,367 to \$1,491,269 or 5.8 percent. Details of the changes are reflected on page 7.

Original Versus Final Budget

Page 14 reflects the variances between the original and final budgeted amounts.

Final Budget Versus Actual Results

As reflected on page 14 the District operated within budgetary constraints. Actual revenues were over the final budget by \$58,398 while actual expenses were under the final budget by \$14,734. Revenues were up due to reimbursements for fixed assets purchased. Expenses were down primarily due to a decrease in the costs of the items budgeted for in Capital outlays.

Capital Assets

At year-end, the District had \$2,548,583 at cost in total capital assets – a net increase of \$16,040 from 2012.

**BOARD OF FIRE COMMISSIONERS
DISTRICT NO. 1
BOROUGH OF PENNINGTON
Management's Discussion and Analysis
For the Year Ended December 31, 2013**

Condensed Comparative Information

	2013	2012	Increase (Decrease)
Net position			
Current and other assets	\$ 1,382,247	\$ 1,245,370	\$ 136,877
Capital assets	345,802	406,355	(60,553)
Total assets	<u>\$ 1,728,049</u>	<u>\$ 1,651,725</u>	<u>\$ 76,324</u>
Liabilities and deferred inflows of resources	<u>\$ 236,780</u>	<u>\$ 241,823</u>	<u>\$ (5,043)</u>
Unreserved	\$ 670,552	\$ 597,478	\$ 73,074
Reserved for capital purchases	474,915	406,069	68,846
Investment in capital assets	<u>345,802</u>	<u>406,355</u>	<u>(60,553)</u>
	<u>\$ 1,491,269</u>	<u>\$ 1,409,902</u>	<u>\$ 81,367</u>
Revenue and expenditures			
Revenue	\$ 457,486	\$ 465,851	\$ (8,365)
Expenditures	<u>376,119</u>	<u>333,174</u>	<u>42,945</u>
Change in net position	<u>\$ 81,367</u>	<u>\$ 132,677</u>	<u>\$ (51,310)</u>

Economic Factors and Next Year's Budget and Rates

The District's governing body considers many factors when setting the 2013 budget and tax rates including the economy, the rate of inflation and planned future capital projects. The tax rate will remain \$.03 per \$100 of assessed valuation.

Contacting the District's Financial Management

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. This discussion and analysis is based upon information that was available as of April 15, 2014.

If you have questions about this report or need additional financial information, contact the Board Clerk at P.O. 387, Pennington, NJ 08534.

PENNINGTON BOROUGH FIRE DISTRICT NO. 1
Statement of Net Position
December 31, 2013

ASSETS

Assets	
Cash and cash equivalents	\$ 1,221,066
Due from adjoining municipality	70,958
Note receivable from municipality	90,223
Capital assets, net of accumulated depreciation	<u>345,802</u>
Total assets	<u>\$ 1,728,049</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Liabilities	
Accrued expenses	\$ 146,557
Total liabilities	<u>146,557</u>
Deferred inflows of resources	
Deferred revenue	90,223
Total liabilities and deferred inflows of resources	<u>236,780</u>
Net position	
Unreserved	670,552
Reserved for capital asset purchases	474,915
Investment in capital assets	345,802
Total net position	<u>1,491,269</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,728,049</u>

See accompanying notes to the financial statements.

PENNINGTON BOROUGH FIRE DISTRICT NO. 1
Statement of Activities and Change in Net Position
For the Year Ended December 31, 2013

Revenue	
District taxes	\$ 149,000
Adjoining municipality taxes	250,088
Interest	2,211
Other income	<u>56,187</u>
Total revenue	457,486
Expenses	
Operating and maintenance	299,526
Depreciation	<u>76,593</u>
Total expenses	<u>376,119</u>
Change in net position	81,367
Net position - beginning of year	<u>1,409,902</u>
Net position - end of year	<u><u>\$ 1,491,269</u></u>

See accompanying notes to the financial statements.

PENNINGTON BOROUGH FIRE DISTRICT NO. 1
Balance Sheet - Governmental Funds
December 31, 2013

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 696,151	\$ 524,915	\$ -	\$ 1,221,066
Due from adjoining municipality	70,958	-	-	70,958
Due from Capital fund	50,000	-	(50,000)	-
Note receivable from municipality	90,223	-	-	90,223
Total assets	<u>\$ 907,332</u>	<u>\$ 524,915</u>	<u>\$ (50,000)</u>	<u>\$ 1,382,247</u>
Liabilities				
Accrued expenses	\$ 146,557	\$ -	\$ -	\$ 146,557
Due to General fund	-	50,000	(50,000)	-
Total liabilities	<u>146,557</u>	<u>50,000</u>	<u>(50,000)</u>	<u>146,557</u>
Deferred inflows of resources				
Deferred revenue	90,223	-	-	90,223
Total liabilities and deferred inflow of resources	<u>236,780</u>	<u>50,000</u>	<u>(50,000)</u>	<u>236,780</u>
Fund balance				
Unreserved	670,552	-	-	670,552
Reserved for capital asset purchases	-	474,915	-	474,915
Total fund balances	<u>670,552</u>	<u>474,915</u>	<u>-</u>	<u>1,145,467</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 907,332</u>	<u>\$ 524,915</u>	<u>\$ (50,000)</u>	<u>\$ 1,382,247</u>

See accompanying notes to the financial statements.

PENNINGTON BOROUGH FIRE DISTRICT NO. 1
Reconciliation of Governmental Fund Position
to the District-Wide Statement of Net Position
December 31, 2013

Total fund position - Governmental funds	\$ 1,145,467
Capital assets used in government activities are not financial resources and therefore are not reported in the funds	<u>345,802</u>
Total net position	<u><u>\$ 1,491,269</u></u>

See accompanying notes to the financial statements.

PENNINGTON BOROUGH FIRE DISTRICT NO. 1
Statement of Revenue, Expenses and Changes in Fund Balance
For the Year Ended December 31, 2013

	General Fund	Capital Fund	Eliminations	Total
Revenue				
District taxes	\$ 149,000	\$ -	\$ -	\$ 149,000
Adjoining municipality	250,088	-	-	250,088
Interest	2,153	58	-	2,211
Other income	56,187	-	-	56,187
Transferred from/to General fund	-	68,788	(68,788)	-
Total revenue	<u>457,428</u>	<u>68,846</u>	<u>(68,788)</u>	<u>457,486</u>
Expenses				
Operating and maintenance	299,526	-	-	299,526
Transfer from/to Capital fund	68,788	-	(68,788)	-
Capital outlay	16,040	-	-	16,040
Total expenses	<u>384,354</u>	<u>-</u>	<u>(68,788)</u>	<u>315,566</u>
Increase in fund balance	73,074	68,846	-	141,920
Fund balance - beginning of year	<u>597,478</u>	<u>406,069</u>	<u>-</u>	<u>1,003,547</u>
Fund balance - end of year	<u>\$ 670,552</u>	<u>\$ 474,915</u>	<u>\$ -</u>	1,145,467

Amounts reported in the governmental activity in the statement of activities is different because:

Cumulative difference between fund balance and net fund balance from Governmental activity through December 31, 2012	406,355
--	---------

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$76,593) exceeded capital outlays (\$16,040) in the current year.	<u>(60,553)</u>
--	-----------------

Net fund balance of governmental activity	<u>\$ 1,491,269</u>
---	---------------------

See accompanying notes to the financial statements.

PENNINGTON BOROUGH FIRE DISTRICT NO. 1
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies

Nature of activities

The Pennington Borough Fire District No. 1 (the District) is a political subdivision of the Borough of Pennington, New Jersey. A five-member Board governs the District. Members are elected annually on a rotating basis to three-year terms. The District provides fire protection, prevention, safety and education services to the Borough of Pennington and to surrounding local communities.

Financial reporting/principles of accounting

The accompanying financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The implementation of GASB has created additional statements, schedules, reports and notes disclosures as follows:

- Financial statements are prepared using full accrual accounting methods, including recording of depreciation on capital assets and recording those assets net of accumulated depreciation.
- The basic financial statements include District-wide Statements and Fund Financial Statements, as explained in the following note disclosures:

District-wide Statements: The statement of net position and the statement of activities display information about the District. The District activities are financed through taxes and funds from an adjoining municipality. The government-wide financial statements are reported using the accrual basis of accounting. Revenue is recorded when earned and expenses recorded at the time liabilities are incurred, regardless of when the cash flows take place.

Fund Financial Statements: The fund financial statements provide information about the District's activities, which are reported in the General fund and the Capital fund. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. Expenditures are recorded when the related fund liabilities are incurred. General capital asset acquisitions are reported as expenditures in governmental funds.

General fund: This is the District's operating fund. It accounts for all financial resources of the District except those required to be accounted for in other funds.

Capital fund: This fund accounts for expenditures for capital assets financed by authorized debt.

PENNINGTON BOROUGH FIRE DISTRICT NO. 1
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

Budget and budgetary accounting

The District adopts an annual budget for the General fund. Budget amendments are passed on an as-needed basis, and a balanced budget is required. Appropriations lapse at the end of the year, unless encumbered.

Use of estimates

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

Cash and cash equivalents

Cash and cash equivalents consist of cash in bank and money market funds.

Capital assets

Capital assets are recorded as expenditures at the time of purchase and the related assets are capitalized at cost. It is the District's policy to capitalize assets with costs in excess of \$1,000 and an estimated useful life in excess of one year. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Fire apparatus	10 years
Fire-fighting equipment	5 - 10 years
Other equipment	3 - 10 years

Income taxes

The District is a subdivision of the Borough of Pennington and is not required to file tax returns. Accordingly no provision for income taxes has been made in the financial statements.

Note 2 - Concentration of credit risk

The District maintains its cash balances in one financial institution. These cash balances are insured by Federal Deposit Insurance Corporation, (FDIC). The funds in excess of the FDIC limit are insured by the State of New Jersey's Governmental Unit Deposit Protection Act.

PENNINGTON BOROUGH FIRE DISTRICT NO. 1
Notes to the Financial Statements

Note 3 - Capital assets

A summary of changes in capital assets and accumulated depreciation at December 31, 2013 is as follows:

Capital assets	Beginning Balance	Additions	Dispositions	Ending Balance
Fire apparatus	\$ 1,144,931	\$ -	\$ -	\$ 1,144,931
Fire-fighting equipment	714,134	18,106	-	732,240
Other equipment	104,478	(2,066)	-	102,412
Truck - deposit	50,000	-	-	50,000
Truck	519,000	-	-	519,000
Total	2,532,543	16,040	-	2,548,583
Accumulated depreciation				
Fire apparatus	1,144,931	-	-	1,144,931
Fire-fighting equipment	494,126	39,433	-	533,559
Other equipment	87,177	3,146	-	90,323
Truck	399,954	34,014	-	433,968
Total	2,126,188	76,593	-	2,202,781
Capital assets, net	\$ 406,355	\$ (60,553)	\$ -	\$ 345,802

Depreciation expense was \$76,593 for the year ended December 31, 2013.

Note 4 - Levied taxes

The total tax levied by the Borough of Pennington to fund the operations of the District was \$149,000. The tax rate per \$100 of assessed valuation is \$.03, based on the assessed valuation of \$497,601,313.

Note 5 - Retirement plan

The District has a Length of Service Award Program (LOSAP). Members qualify based on various criteria determined by the District. LOSAP expenditures for the year ended December 31, 2013 were \$71,000.

Note 6 - Subsequent events

The District's management has determined that no material events or transactions occurred subsequent to December 31, 2013 and through April 15, 2014, the date of the District's financial statement issuance, which require additional disclosure in the District's financial statements.

PENNINGTON BOROUGH FIRE DISTRICT NO. 1
Schedule of Budget vs Actual Expenses - General Fund
For the Year Ended December 31, 2013

	Unaudited Original Budget	Unaudited Final Budget	Actual	Under (over) Final Budget
Revenue				
District taxes	\$ 149,000	\$ 149,000	\$ 149,000	\$ -
Adjoining municipality	250,088	250,088	250,088	-
Reserve from capital fund	-	-	-	-
Interest	-	-	2,211	2,211
Other income	-	-	56,187	56,187
Total revenue and other financing sources	399,088	399,088	457,486	58,398
Expenditures				
Fire-fighting equipment	28,088	28,088	37,549	(9,461)
Capital outlays	6,000	6,000	6,000	-
Rent	42,000	42,000	42,000	-
Insurance	54,000	54,000	57,503	(3,503)
Professional services	32,500	32,500	29,235	3,265
Office	10,639	10,639	7,793	2,846
Elections	500	500	500	-
Training and education	9,944	9,944	9,798	146
Diesel and gas	12,000	12,000	10,985	1,015
Equipment and repairs	27,629	27,629	17,006	10,623
Vehicle repairs	20,000	20,000	16,200	3,800
Medical	2,000	2,000	-	2,000
Contingency	2,000	2,000	-	2,000
LOSAP	71,000	71,000	71,000	-
Hazmat	500	500	72	428
Awards	2,500	2,500	3,217	(717)
Telephone	9,000	9,000	6,708	2,292
Reserve for capital outlays	68,788	68,788	68,788	-
Total expenditures	399,088	399,088	384,354	14,734
Excess of revenue over expenditures	\$ -	\$ -	\$ 73,132	\$ 73,132

See independent auditors' report

PENNINGTON BOROUGH FIRE DISTRICT NO. 1
Schedule of Officials and Surety Bond
December 31, 2013

NAMES OF BOARD
OF COMMISSIONERS

AMOUNT OF SURETY BOND

Mark Blackwell	}	
William Meytrott	}	
William Naylor	}	\$75,000 total coverage per loss
Thomas Timperman	}	
John Tredrea	}	

See independent auditors' report



Bedard, Kurowicki & Co.
Certified Public Accountants, PC
www.bkc-cpa.com

**Independent Auditors' 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
Pennington Borough Fire District No. 1
Pennington, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of the Pennington Borough Fire District No. 1, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Pennington Borough Fire District No. 1's basic financial statements, and have issued our report thereon dated April 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pennington Borough Fire District No. 1's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstance 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. However, as described in the accompanying schedule of finding and responses, we identified certain deficiencies in internal control over financial reporting that we considered to be significant.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pennington Borough Fire District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. The report is an integral part of any audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bedard, Kurowicki & Co.
BEDARD, KUROWICKI & CO., CPA'S, PC

April 15, 2014
Flemington, New Jersey

PENNINGTON BOROUGH FIRE DISTRICT NO. 1
Schedule of Findings and Responses
For the year ended December 31, 2013

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.

Finding 2013-1

Criteria or Specific Requirement

Government auditing standards require that a general ledger is properly maintained for the year. Furthermore, management should possess adequate accounting knowledge to understand and analyze the general ledger, financial statements inclusive of the notes to the financial statements and journal entries.

Condition

During the year, the following conditions were observed relative to the District's general ledger and overall recordkeeping:

- The District did not record all transactions. Only transactions that represent the District's general checking account were recorded in the financial accounting system.

Context

A sound framework of internal control is necessary to afford a reasonable basis for the District to assert that the information they provide can be relied upon. This requires that a complete and reasonably accurate general ledger along with the appropriate subsidiary records be maintained to ensure adequate control over the preparation of financial statements including related disclosures.

Effect

Without a properly maintained general ledger system, the immediate and current identification of assets, liabilities, revenues, expenditures and net assets cannot be achieved. The volume of and material amount of the audit adjustments required to correct the general ledger indicates ineffective controls over the preparation of financial statements and related disclosures

Cause

The District does not currently employ or contract an individual or consultant with the knowledge and experience to enter all accrual based transactions into the general ledger and prepare a complete set of financial statements including related disclosures.

PENNINGTON BOROUGH FIRE DISTRICT NO. 1
Schedule of Findings and Responses
For the year ended December 31, 2013

Recommendation

That a general ledger be maintained by the district.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.