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Oliwa & Company

CERTIFIED PUBLIC ACCOUNTANTS

November 29, 2010

Honorable Mayor and Members
of the Borough Council
Borough of Eatontown, New Jersey

We are pleased to confirm our understanding of the services to be provided to the Borough of Eatontown (the "Borough") for the year ended December 31, 2011. Also, we confirm and understand that our term as Borough auditor is for calendar year 2011. We will audit the financial statements of the Borough as of and for the year ended December 31, 2011 and provide other services as detailed on page four of this letter. Also, supplementary information accompanying the basic financial statements will be subjected to the auditing procedures applied in our audit of the financial statements.

Audit Objectives

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with the statutory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and to report on the fairness of the supplementary information referred to in the first paragraph when considered in relation to the financial statements taken as a whole. Our audit will be conducted in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. If our opinion on the financial statements is other than unqualified, we will discuss the reasons with management in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

We will also provide a report (which does not include an opinion) on internal control related to the financial statements and compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. This report will include a statement that the report is intended solely for the information and use of the governing body, management, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Management Responsibilities

Management is responsible for establishing and maintaining effective internal control and for compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded

Management Responsibilities (continued)

against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of financial statements in accordance with the statutory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Management is responsible for making all financial records and related information available to us. We understand that you will provide us with such information required for our audit and that you are responsible for the accuracy and completeness of that information. Management's responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation of the financial statements in conformity with the statutory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the Borough involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Borough received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the Borough complies with applicable laws and regulations and for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

As part of the audit, we will prepare a draft of your financial statements and related notes. In accordance with *Government Auditing Standards*, you will be required to review and approve those financial statements prior to their issuance and have a responsibility to be in a position in fact and appearance to make an informed judgment on those financial statements. Further, you are required to designate a qualified management-level individual to be responsible and accountable for overseeing our services.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Borough or to acts by management or employees acting on behalf of the Borough.

Audit Procedures—General (continued)

Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse. Because an audit is designed to provide reasonable, but not absolute, assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements.

However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditor is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditor.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected funding sources, creditors, and financial institutions. We will also request written representations from the Borough's attorneys as part of the engagement, and they may bill the Borough for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from management about the financial statements and related matters.

Identifying and ensuring that the Borough complies with the provisions of laws, regulations, contracts, agreements, and grants is the responsibility of management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Borough's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Audit Procedures—Internal Control

In planning and performing our audit, we will consider the internal control sufficient to plan the audit in order to determine the nature, timing, and extent of our auditing procedures for the purpose of expressing our opinion on the Borough's financial statements.

We will obtain an understanding of the design of the relevant controls and whether they have been placed in operation, and we will assess control risk. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and the governing body internal control related matters that are required to be communicated under American Institute of Certified Public Accountants professional standards and *Government Auditing Standards*.

Audit Administration, Fees, and Other

Our fees for these services will be based on the actual time spent at standard hourly rates. Standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Based on our fee estimates, the preparation of the 2011 audit report, preparation of the 2011 unaudited annual financial statement and preparation of the 2011 annual debt statement will not exceed \$38,000.00.

We anticipate that the fee for 2012 budget services including meetings and consultation with Borough officials, review and preparation of the official budget document and budget amendments, drafting of budget review summary statements at budget introduction and adoption, and meeting attendance at budget introduction and adoption will not exceed \$5,500.00.

Reimbursements for "out of pocket expenses" will not be billed to the Borough. Our fees for the aforementioned services will be billed as work progresses.

The fee for the preparation of each supplemental debt statement and any required amending capital budget resolution in 2011 will be \$450.00.

The following hourly rates will apply to other professional accounting and auditing services requested by the Borough.

Principal/RMA \$135.00
Senior Accountant \$75.00
Junior Accountant \$60.00
Para-Professional \$30.00

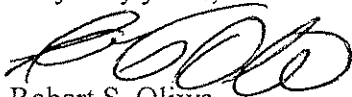
Please be assured that our firm is financially sound and has sufficient resources to execute a professional service agreement with the Borough, all audit and accounting work performed for the Borough will be performed by employees of Oliwa & Company, and no members or associates of our firm are suspended or prohibited from performing auditing services in the State of New Jersey.

We understand that our contract with the Borough is being awarded subject to a "Fair and Open Process" adopted by the Borough. We will comply with all applicable requirements of State Statute relative to the "Fair and Open Process" selection.

A copy of our business registration certificate, most recent system review report and certificate of employee information report are attached to this letter. In addition, attached is "Exhibit A" relative to Mandatory Equal Employment Opportunity Language required for professional service contracts.

We appreciate the opportunity to be of service to the Borough and believe this letter accurately summarizes the significant terms of our engagement. If you have questions, please let us know. If you agree with the terms of our engagement as described in this letter, please have an authorized Borough official sign the enclosed copy and return it to us.

Very truly yours,

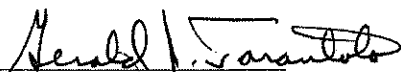


Robert S. Oliwa
Certified Public Accountant
Registered Municipal Accountant #414


Oliwa & Company

RESPONSE:

This letter correctly sets forth the understanding of the Borough of Eatontown.

Signature:  Date: 2/9/11
GERALD J. TARANTOLO, MAYOR

Title: _____

ATTEST: 
KAREN R. SIANO, BOROUGH CLERK