

**MARLBORO TOWNSHIP  
FIRE DISTRICT NO. 1  
MONMOUTH COUNTY, NEW JERSEY**

**Financial Statements**

**December 31, 2011 and 2010**

**With Independent Auditors' Report**

**Marlboro Township Fire District No. 1**  
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**December 31, 2011 and 2010**

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# *Township of Marlboro*

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## *Fire District #1*

*P.O. Box 462  
Marlboro, NJ 07746  
(732) 462-9804*

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Marlboro Township Fire District No. 1's financial performance provides an overview of the District's financial activities for the year ended December 31, 2011.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provides information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities, these statements tell how district services were financed in the short term as well as what remains for future spending. 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. The remaining statements provide financial information about activities for which the District acts solely as a Board for the benefit of those outside of the government.

#### **Reporting on the District as a Whole**

##### **The Statement of Net Assets and the Statement of Activities**

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 Assets 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 revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets – 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 assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base and the condition of the District's equipment to assess the overall health of the District.

In the Statement of Net Assets and the Statement of Activities, we divide the District into two kinds of activities;

- General Fund activities – Most of the District's basic services are reported here. Property Tax Levies finance most of these activities.
- Capital Fund activities – The District's equipment acquisitions are financed by prior levies and approved by the taxpayers. The District's acquisitions are reported here.

## Reporting on the District's Most Significant Funds

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants.

- General funds – Most of the District's basic services are reported in general funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. 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 general fund statements provide a detailed short-term view of the District's general government 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. We describe the relationship (or differences) between general fund activities (reported in the Statement of Net Assets and the Statement of Activities) and capital funds in reconciliation at the bottom of the fund financial statements.

### The District as a Board

### Reporting on the District's Fiduciary Responsibilities

The District is a board of commissioners for the safety and protection of the residents within its boundaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### THE DISTRICT AS A WHOLE

For the year ended December 31, 2011, net assets changed as follows:

	2011 GAAP Basis		Total	Increase (Decrease) over 2010	Percentage Increase (Decrease)
	General Fund Activities	Capital Fund Activities			
Assets					
Current and other assets	\$ 990,917	\$ -	\$ 990,917	\$ 228,493	29.97%
Capital assets	-	910,137	910,137	(88,843)	(8.89%)
Total assets	<u>\$ 990,917</u>	<u>\$ 910,137</u>	<u>\$ 1,901,054</u>	<u>\$ 139,649</u>	7.93%
Other liabilities	\$ 116,951	\$ -	\$ 116,951	\$ 15,574	15.36%
Net assets					
Invested in capital assets, net of accumulated depreciation			910,137	(88,844)	(8.89%)
Restricted			32,846	-	0.00%
Unrestricted			841,120	212,919	33.89%
			<u>\$ 1,784,103</u>	<u>\$ 124,075</u>	7.47%

The District's increase in net assets signifies improved financial condition.

### Governmental Activities

The General fund is mainly to provide fire protection to its residents, educate the public as to fire prevention and precaution, and to train qualified personnel. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose. Capital fund activities are mainly to provide for the acquisition of major fire equipment for fire extinguishment.

## THE DISTRICT'S FUNDS

The following schedule presents a summary of general, capital fund revenues and expenditures for the fiscal year ended December 31, 2011 and the amount and percentage of increases and decreases in relation to the prior year.

	2011 GAAP Amount	Percentage of Total Revenues	Increase (Decrease) over 2010	Percentage Increase (Decrease)
Revenues				
District taxes	\$ 888,862	97.23%	\$ 20,370	2.35%
SFSG	4,339	0.47%	-	0%
Interest on deposits and investments	2,034	0.22%	(1,023)	(33.46%)
Miscellaneous income	19,033	2.08%	18,874	11870.44%
Total revenues	<u>\$ 914,268</u>	<u>100.00%</u>	<u>\$ 38,221</u>	<u>4.36%</u>

District revenues experienced a moderate increase this year.

	FYE 2011 GAAP Amount	Percentage of Total Expenditures	Increase (Decrease) over 2010	Percentage Increase (Decrease)
Expenditures				
Commissioners	\$ 30,000	3.80%	\$ -	0%
Clerk of the Board	4,958	0.63%	(3,542)	(41.67%)
Elections	1,205	0.15%	(171)	(12.43%)
Office expenses	6,247	0.79%	(328)	(4.99%)
Professional services	44,024	5.57%	(4,836)	(9.90%)
Fringe benefits	168,000	21.26%	48,445	40.52%
Advertising	1,326	0.17%	340	34.48%
Insurance	68,408	8.66%	4,171	6.49%
Maintenance and repairs	16,136	2.04%	(37,920)	(70.15%)
Membership/dues	895	0.11%	(35)	(3.76%)
Training and education	230	0.03%	(554)	(70.66%)
Uniforms	10,009	1.27%	498	5.24%
Professional services/medical	5,636	0.71%	(2,274)	(28.75%)
Rental charges and telephone	77,575	9.82%	1,682	2.22%
Travel expenses	1,295	0.16%	(2,616)	(66.89%)
Fire hydrant rentals	202,253	25.60%	(2,125)	(1.04%)
New equipment and supplies	10,055	1.27%	(39,278)	(79.62%)
Reimbursement of expenses	4,843	0.61%	(1,047)	(17.78%)
Depreciation expense	137,098	17.35%	2,734	2.03%
Total expenditures	<u>\$ 790,193</u>	<u>100.00%</u>	<u>\$ (36,856)</u>	<u>(4.46%)</u>

Some expenditures are contractual in nature and because of market fluctuations, they can be vary from year to year depending on the circumstances. Overall, the District experienced a decrease in total expenditures of approximately \$37,000 or 4%.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board has not revised the General Fund budget.

The budget relied on the expectation of an increase in district taxes. The district tax base decreased slightly, but the tax rate increased which produced an increase in tax revenue of approximately \$20,000.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

For the year ended December 31, 2011, Capital Assets changed as follows:

	2010 GAAP Basis	Additions	Deletions	2011 GAAP Basis	Percentage Increase (Decrease)
Capital assets					
Equipment	\$ 572,811	\$ 6,972	\$ -	\$ 579,783	1.22%
Trucks and vehicles	2,178,197	35,413	29,539	2,184,071	0.27%
Construction in progress	-	5,869	-	5,869	100.00%
	2,751,008	48,254	29,539	2,769,723	0.68%
Accumulated depreciation	1,752,027	137,098	29,539	1,859,586	6.14%
Capital assets, net	\$ 998,981	\$ (88,844)	\$ -	\$ 910,137	-8.89%

The District accounted for its purchase of various equipment and vehicle.

### Debt

At year-end, the District had no debt.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Next year's general fund budget was determined based on a slight increase in the district tax rate.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our District's citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Clerk's office at P.O. Box 462, Marlboro, New Jersey.



Michael MacDonald, Chairman  
Board of Fire Commissioners



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## Independent Auditors' Report

Board of Fire Commissioners  
Marlboro Township Fire District No. 1  
Monmouth County, New Jersey

We have audited the accompanying financial statements of the Marlboro Township Fire District No. 1, Monmouth County, New Jersey as of and for the years ended December 31, 2011 and 2010. These general purpose financial statements are the responsibility of the Fire District's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and in compliance with 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 audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marlboro Township Fire District No. 1, Monmouth County, New Jersey as of December 31, 2011 and 2010, and the results of its operations for the years 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 a report dated April 10, 2012 on our consideration of the Marlboro Township Fire District No. 1's, Monmouth County, New Jersey internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that 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 read in conjunction with this report and considered in assessing the results of our audits.



The accounting principles generally accepted in the United States of America required that the Management's Discussion and Analysis on page A1 through A4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Government Accounting Standard Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual and Schedule of Improvement Authorization - Capital Fund included in the contents of this report are presented for purposes of additional analysis and are not required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 and 2010 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual and Schedule of Improvement Authorizations - Capital Fund are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

The Statistical Information and Roster of Officials, which are the responsibility of management, are presented for the purpose of additional analysis and are not a required a part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink that reads "Ronald C. Petrics". The signature is written in a cursive style with a horizontal line underneath it.

Ronald C. Petrics  
Registered Municipal Accountant (# 474)

April 10, 2012





WithumSmith+Brown, PC  
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**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  
Marlboro Township Fire District No. 1  
Monmouth County, New Jersey

We have audited the financial statements of Marlboro Township Fire District No. 1, Monmouth County, New Jersey, as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated April 10, 2012. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in compliance with the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

The management of Marlboro Township Fire District No. 1 is responsible for establishing and maintaining effective internal control. In planning and performing our audit, we considered Marlboro Township Fire District No. 1'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 Marlboro Township Fire District No. 1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 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. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and recommendations as findings # 2011-01 through # 2011-03, which we consider to be significant deficiencies in internal control over financial reporting. 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.



#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marlboro Township 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*.

This report is intended solely for the information and use of the Board of Commissioners, others within the entity, and the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Ronald C. Petrics".

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Ronald C. Petrics  
Registered Municipal Accountant (# 474)

April 10, 2012

**Township of Marlboro Fire District No. 1**  
**County of Monmouth**  
**Statement of Net Assets and Governmental Fund Balance Sheet**  
**December 31, 2011**

	<b>General Fund</b>	<b>Capital Fund</b>	<b>Total</b>	<b>Adjustments (Note 2)</b>	<b>Statement of Net Assets</b>
<b>Assets</b>					
Cash	\$ 641,473	\$ -	\$ 641,473	\$ -	\$ 641,473
Short term investments	312,492	-	312,492	-	312,492
Interest receivable	67	-	67	-	67
Prepaid insurance	36,885	-	36,885	-	36,885
Interfund receivable	-	332,846	332,846	(332,846)	-
Capital assets, net	-	-	-	910,137	910,137
	<u>\$ 990,917</u>	<u>\$ 332,846</u>	<u>\$ 1,323,763</u>	<u>\$ 577,291</u>	<u>\$ 1,901,054</u>
<b>Liabilities</b>					
Current liabilities					
Accounts payable	\$ 74,488	\$ -	\$ 74,488	\$ -	\$ 74,488
Reserve for unemployment	3,922	-	3,922	-	3,922
Reserve for LOSAP	37,998	-	37,998	-	37,998
Interfund payable	332,846	-	332,846	(332,846)	-
Improvement authorizations	-	32,846	32,846	(32,846)	-
Accrued wages and taxes payable	543	-	543	-	543
	<u>449,797</u>	<u>32,846</u>	<u>482,643</u>	<u>(365,692)</u>	<u>116,951</u>
<b>Fund Balances and Net Assets</b>					
Fund balances					
Reserved					
Appropriation reserves	221,401	-	221,401	(221,401)	-
Unreserved					
Designated for subsequent years' expenditures	150,255	-	150,255	(150,255)	-
Undesignated	169,464	300,000	469,464	(469,464)	-
	<u>541,120</u>	<u>300,000</u>	<u>841,120</u>	<u>(841,120)</u>	<u>-</u>
	<u>\$ 990,917</u>	<u>\$ 332,846</u>	<u>\$ 1,323,763</u>		
Net assets					
Invested in capital assets, net of accumulated depreciation				910,137	910,137
Restricted for capital acquisitions				32,846	32,846
Unrestricted				841,120	841,120
				<u>\$ 1,784,103</u>	<u>\$ 1,784,103</u>

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

**Township of Marlboro Fire District No. 1**  
**County of Monmouth**  
**Statement of Net Assets and Governmental Fund Balance Sheet**  
**December 31, 2010**

	<b>General Fund</b>	<b>Capital Fund</b>	<b>Total</b>	<b>Adjustments (Note 2)</b>	<b>Statement of Net Assets</b>
<b>Assets</b>					
Cash	\$ 414,473	\$ -	\$ 414,473	\$ -	\$ 414,473
Short term investments	307,348	-	307,348	-	307,348
Interest receivable	3,736	-	3,736	-	3,736
Prepaid insurance	36,867	-	36,867	-	36,867
Interfund receivable	-	267,846	267,846	(267,846)	-
Capital assets, net	-	-	-	998,981	998,981
	<u>\$ 762,424</u>	<u>\$ 267,846</u>	<u>\$ 1,030,270</u>	<u>\$ 731,135</u>	<u>\$ 1,761,405</u>
<b>Liabilities</b>					
Current liabilities					
Accounts payable	\$ 61,484	\$ -	\$ 61,484	\$ -	\$ 61,484
Reserve for encumbrances	-	35,000	35,000	-	35,000
Reserve for unemployment	3,888	-	3,888	-	3,888
Interfund payable	267,846	-	267,846	(267,846)	-
Improvement authorizations	-	32,846	32,846	(32,846)	-
Accrued wages and taxes payable	1,005	-	1,005	-	1,005
	<u>334,223</u>	<u>67,846</u>	<u>402,069</u>	<u>(300,692)</u>	<u>101,377</u>
<b>Fund Balances and Net Assets</b>					
Fund balances					
Reserved					
Appropriation reserves	179,246	-	179,246	(179,246)	-
Unreserved					
Designated for subsequent years' expenditures	133,888	-	133,888	(133,888)	-
Undesignated	115,067	200,000	315,067	(315,067)	-
	<u>428,201</u>	<u>200,000</u>	<u>628,201</u>	<u>(628,201)</u>	<u>-</u>
	<u>\$ 762,424</u>	<u>\$ 267,846</u>	<u>\$ 1,030,270</u>		
Net assets					
Invested in capital assets, net of accumulated depreciation				998,981	998,981
Restricted for capital acquisitions				32,846	32,846
Unrestricted				628,201	628,201
				<u>\$ 1,660,028</u>	<u>\$ 1,660,028</u>

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

**Township of Marlboro Fire District No. 1**  
**County of Monmouth**  
**Statement of Activities and Governmental Fund Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Year Ended December 31, 2011**

	<b>General Fund</b>	<b>Capital Fund</b>	<b>Total</b>	<b>Adjustments (Note 3)</b>	<b>Statement of Activities</b>
Expenditures					
Operating appropriations	\$ 701,349	\$ -	\$ 701,349	\$ 88,844	\$ 790,193
Reserve for future capital outlays	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>
	801,349	-	801,349	(11,156)	790,193
General revenues					
District taxes	888,862	-	888,862	-	888,862
Interest on deposits and investments	2,034	-	2,034	-	2,034
Supplemental fire services grant	4,339	-	4,339	-	4,339
Miscellaneous	<u>19,033</u>	<u>-</u>	<u>19,033</u>	<u>-</u>	<u>19,033</u>
	914,268	-	914,268	-	914,268
Transfers					
Reserve for future capital outlays	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>
Capital fund balance utilized	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>914,268</u>	<u>100,000</u>	<u>1,014,268</u>	<u>(100,000)</u>	<u>914,268</u>
Excess (deficiency) of revenues and transfers over expenditures	112,919	100,000	212,919	(212,919)	-
Change in net assets	-	-	-	124,075	124,075
Fund balances/ net assets					
Beginning of year	<u>428,201</u>	<u>200,000</u>	<u>628,201</u>	<u>1,031,827</u>	<u>1,660,028</u>
End of year	<u>\$ 541,120</u>	<u>\$ 300,000</u>	<u>\$ 841,120</u>	<u>\$ 942,983</u>	<u>\$ 1,784,103</u>

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

**Township of Marlboro Fire District No. 1**  
**County of Monmouth**  
**Statement of Activities and Governmental Fund Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Year Ended December 31, 2010**

	<b>General Fund</b>	<b>Capital Fund</b>	<b>Total</b>	<b>Adjustments (Note 3)</b>	<b>Statement of Activities</b>
Expenditures					
Operating appropriations	\$ 716,454	\$ -	\$ 716,454	\$ 110,595	\$ 827,049
Reserve for future capital outlays	100,000	-	100,000	(100,000)	-
	<u>816,454</u>	<u>-</u>	<u>816,454</u>	<u>10,595</u>	<u>827,049</u>
General revenues					
District taxes	868,492	-	868,492	-	868,492
Interest on deposits and investments	3,057	-	3,057	-	3,057
Supplemental fire services grant	4,339	-	4,339	-	4,339
Miscellaneous	159	-	159	-	159
	<u>876,047</u>	<u>-</u>	<u>876,047</u>	<u>-</u>	<u>876,047</u>
Transfers					
Reserve for future capital outlays	-	100,000	100,000	(100,000)	-
Total general revenues and transfers	<u>876,047</u>	<u>100,000</u>	<u>976,047</u>	<u>(100,000)</u>	<u>876,047</u>
Excess (deficiency) of revenues and transfers over expenditures	59,593	100,000	159,593	(159,593)	-
Change in net assets	-	-	-	48,998	48,998
Fund balances/ net assets					
Beginning of year	<u>368,608</u>	<u>100,000</u>	<u>468,608</u>	<u>1,142,422</u>	<u>1,611,030</u>
End of year	<u>\$ 428,201</u>	<u>\$ 200,000</u>	<u>\$ 628,201</u>	<u>\$ 1,031,827</u>	<u>\$ 1,660,028</u>

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

**Marlboro Township Fire District No. 1**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

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**1. Summary of Significant Accounting Policies**

The accounting policies of the Marlboro Township Fire District No. 1 (the District) conform to the accounting principles applicable to special districts which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. For the years ended December 31, 2011 and 2010 the financial statements of the Marlboro Township Fire District No. 1 have been prepared in conformity with generally accepted accounting principles (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.

**A. Reporting Entity**

The district is an instrumentality of the State of New Jersey, established to function as a special district. The Board of Fire Commissioners consists of elected officials and is responsible for the fiscal control of the District.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the District over which the board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

**B. Basis of Presentation**

*Combined Fund and Government-wide Financial Statements*

As a special purpose governmental entity engaged in a single governmental program the District has opted to present its financial data in the form of combined fund and government-wide financial statements to simplify their annual financial reporting process.

The accounts of the district are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types". The District does not maintain any proprietary or fiduciary funds.

Governmental Fund Types

*General Fund:* The general fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund.

*Capital Fund:* The capital fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities.

In conformity with GASB 34, the District's combined fund and government-wide financial statements present adjustments to reconcile the general and capital fund balances to net assets.

**Marlboro Township Fire District No. 1**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

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**1. Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation (Continued)**

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**C. Basis of Accounting**

*Fund Basis of Accounting*

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its fire districts the entire balance of taxes in the amount voted upon or certified prior to the end of the year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

*Government-wide Basis of Accounting*

The government-wide statements are presented using the accrual basis of accounting. Under the full accrual basis, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

**D. Budgets/Budgetary Control**

Annual budgets are prepared each year for the operations of the fire districts. The budgets are approved by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The budgets are then voted upon by the public.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and the fund basis of accounting previously described. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at year end.

**E. 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. Specific encumbrances in governmental funds are reported as liabilities at year end as they constitute expenditures or rather commitments related to unperformed contracts for goods or services.

The encumbered appropriation authority carries over into the following year. The balance of unencumbered appropriations is recorded as a reserve to fund balance for unrecorded expenditures and commitments that pertain to the prior year. At the end of the following year, an entry will be made to fund balance for expended appropriations of the prior year.



**Marlboro Township Fire District No. 1**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

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**1. Summary of Significant Accounting Policies (Continued)**

**F. Fixed Assets**

In the fund financial statements, fixed assets used in governmental operations are accounted for as expenditures of the government fund upon acquisition.

In the government-wide basis of accounting, fixed assets are accounted for as capital assets. The District generally capitalizes assets with a cost of \$1,000 or more as outlays occur. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable.

Depreciation of all fixed assets is recorded as an operating expense in the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances with accumulated depreciation reflected in the Statement of Net Assets and Governmental Funds Balance Sheet. Depreciation is provided over the assets' estimated useful lives using the straight line method of depreciation, generally 5 years for fire fighting equipment and general purpose vehicles and 12 years for fire fighting vehicles.

**G. Interfund Transactions and Balances**

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Transfers between the general and capital fund of the District net to zero on the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those loans are reported as interfund receivables and payables on the fund basis of accounting. Interfund payables and receivables between funds are eliminated in the Statement of Net Assets and Governmental Funds Balance Sheet.

**H. Fund Equity**

*Fund Basis*

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

*Government-wide Basis*

Equity is classified as net assets and is displayed in three components:

- a. Invested in capital assets, net – Consists of capital assets, net of accumulated depreciation.
- b. Restricted for capital acquisitions – Current balance consists of net assets restricted to the acquisition of a fire truck.
- c. Unrestricted net assets – All net assets that do not meet the definition of "restricted" or "invested in capital assets, net".

**I. Advertising**

The District expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2011 and 2010 approximated \$1,300 and \$1,000, respectively.

**2. Adjustments to Arrive at Net Assets**

**A. Interfund Receivables and Payables**

For the years ended December 31, 2011 and 2010 interfund receivables and payables in the amount of \$332,846 and \$267,846, respectively have been eliminated in arriving at the government-wide presentation.

**Marlboro Township Fire District No. 1**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

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**2. Adjustments to Arrive at Net Assets (Continued)**

**B. Capital Assets- Net and Invested in Capital Assets - Net**

For the years ended December 31, 2011 and 2010 capital assets, net in the amount of \$910,137 and \$998,981 respectively, and invested in capital assets, net in the amount of \$910,137 and \$998,981, respectively, have been included in the government-wide presentation.

**C. Fund Balances, Unrestricted Net Assets, and Net Assets Restricted for Capital Acquisitions**

For the years ended December 31, 2011 and 2010, fund balances in the amount of \$841,120 and \$628,201, respectively have been eliminated. Unrestricted net assets in the amount of \$841,120 and \$628,201, respectively and net assets restricted for capital acquisitions in the amount of \$32,846 for each year have been included in the government-wide presentation.

**D. Improvement Authorizations**

Improvement authorizations, which are liabilities that represent the District's earmarking of fund balance for a specified future project, do not represent liabilities as defined by U.S. generally accepted accounting principles. Therefore, for both of the years ended December 31, 2011 and 2010 improvement authorizations in the amount of \$32,846 have been eliminated in arriving at the government-wide presentation.

**3. Adjustments to Arrive at the Change in Net Assets**

**A. Operating Appropriations**

For the year ended December 31, 2011, depreciation expense in the amount of \$137,098 has been included in the government-wide presentation. Additionally, to account for fixed asset purchases expensed under the fund basis of accounting, equipment and supplies expense has been decreased by \$14,648 and maintenance and repairs expense has been decreased by \$33,606. The effect on operating appropriations is an increase of \$88,844.

For the year ended December 31, 2010, depreciation expense in the amount of \$134,364 has been included in the government-wide presentation. Additionally, to account for fixed asset purchases expensed under the fund basis of accounting, equipment and supplies expense has been decreased by \$17,271 and maintenance and repairs expense has been decreased by \$6,498. The effect on operating appropriations is an increase of \$110,595.

**B. Reserve for Future Capital Outlays and Related Transfers**

For both of the years ended December 31, 2011 and 2010 reserve for future capital outlays and related transfers has been decreased by \$100,000. The decrease is to eliminate the general fund expenditure and capital fund revenue related to the creation of future improvement authorization.

**4. Deposits and Investments**

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation ("FDIC"), or by any other agency of the United States that insures deposits or the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5 percent of the average daily balance of public funds; or, if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

**Marlboro Township Fire District No. 1**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

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**4. Deposits and Investments (Continued)**

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. The State of New Jersey Cash Management fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which mature within one year. Collateralization of fund investments is generally not required.

The cash on deposit is partially insured by federal deposit insurance in the amount of \$250,000 in each depository. Balances above the federal deposit insurance amount are insured by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., which insures all New Jersey governmental units' deposits in excess of the federal deposit insurance maximums. Cash determined by the Board of Commissioners, consists of all bank accounts and petty cash.

As of December 31, 2011 and 2010 the District's cash accounts consisted of:

	2011	2010
The Fulton Bank of New Jersey	\$ 605,181	\$ 378,233
Bank of America	36,242	36,190
Petty cash	50	50
Total Cash	<u>\$ 641,473</u>	<u>\$ 414,473</u>

The carrying amount of the Board's cash and cash equivalents at December 31, 2011 was \$641,473 and the bank balance was \$668,625. Of the balance, \$286,242 was covered by federal depository insurance and \$382,383 was covered by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., for all New Jersey governmental units' deposits in excess of the federal deposit maximums.

The cash deposits held at financial institutions can be categorized according to three levels of risk as described below:

Category 1	Deposits which are covered by FDIC, or collateralized by securities held by the District or its agent, in the District's name	\$ 286,242
Category 2	Deposits which are collateralized with securities held by the pledging financial institution's trust department, or Agent in the District's name	382,383
Category 3	Deposits which are not collateralized or insured	50

Investments

New Jersey statutes establish the following securities as eligible for the investment of District funds:

- (a) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (b) Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Associates or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- (c) Bonds or other obligations of the District or bonds or other obligations of school districts of which the district is a part or within which the school district is located.
- (d) Bonds or other obligations, having a maturity date of not more than twelve months from the date of purchase, which are approved by the New Jersey Department of Treasury, Division of Investments.

**Marlboro Township Fire District No. 1**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

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**4. Deposits and Investments (Continued)**

- (e) Qualified mutual funds with portfolios limited to (i) bonds or other obligations of, or guaranteed by, the United States of America; and (ii) repurchase agreements fully collateralized by such obligations. These investments must be transacted only through national or state banks located within New Jersey.

During the year, the District had none of its idle funds invested in repurchase agreements collateralized by eligible securities. At the close of the year, no such investments were held by the District.

As of December 31, 2011 and 2010 the District's investments consisted of:

	<b>2011</b>	<b>2010</b>
Certificates of Deposit:		
Bank of America	\$ 168,219	\$ 168,198
Hudson City Savings Bank	<u>144,273</u>	<u>139,150</u>
Total Investments	<u>\$ 312,492</u>	<u>\$ 307,348</u>

**Fair Value Measurements**

Pursuant to the requirements of the accounting standard related to fair value measurements, the District has provided fair value disclosure information for relevant assets and liabilities in these financial statements. The following table summarizes assets which have been accounted for at fair value on a recurring basis as of December 31, 2011 and 2010, along with the basis for the determination of fair value:

	<u><b>Basis for Valuation</b></u> <u><b>Observable Measurement Criteria</b></u> <u><b>(Level 2)</b></u>
Certificates of Deposit - 2011	<u>\$ 312,492</u>
Certificates of Deposit - 2010	<u>\$ 307,348</u>

For applicable assets and liabilities subject to this pronouncement, the District will value such assets and liabilities using quoted market prices in active markets for identical assets and liabilities to the extent possible (Level 1). To the extent that such market prices are not available, the District will next attempt to value such assets and liabilities in active and inactive markets and other corroborated factors (Level 2). In the event that quoted market prices in active markets and other observable measurement criteria are not available, the District will develop measurement criteria based on the best information available (Level 3).

**5. Assessment and Collection of Money Authorized By Voters**

Upon proper certification pursuant to Section 9 of P.L. 1979 c. 453 (C.40[A]:14-78.5), the assessor of the municipality, in which the fire district is situate, shall assess the amount to be raised by taxation to support the district budget against the taxable property therein, in the same manner as municipal taxes are assessed and the same amount shall be assessed, levied and collected at the same time and in the same manner as other municipal taxes.

The collector or treasurer of the municipality, in which said district is situate, shall pay over all moneys so assessed to the treasurer or custodian of funds of said fire district as follows; on or before April 1, an amount equaling 25% of all moneys so assessed; on or before July 1, an amount equaling 25% of all moneys so assessed; on or before October 1, an amount equaling 25% of all moneys so assessed; and on or before December 31, an amount equaling the difference between the total of all moneys so

**Marlboro Township Fire District No. 1**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

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**5. Assessment and Collection of Money Authorized By Voters (Continued)**

assessed and the total amount of such moneys previously paid over, to be held and expended for the purpose of providing and maintaining means for extinguishing fires in such district.

Notwithstanding anything herein to the contrary, the municipal governing body may authorize, in the cash management plan adopted by it pursuant to N.J.S. 40A:5-14, a schedule of payments of fire districts moneys by which an amount greater than required on any of the first three payment dates cited herein may be paid over. The municipal governing body and board of fire commissioners may, by concurrent resolution, adopt a schedule of payments of fire district moneys by which an amount less than required in any of the first three payment dates, cited herein may be paid over. Such resolution shall be included in the cash management plan adopted by the municipal governing body pursuant to N.J.S. 40A:5-14.

The commissioners may also pay back, or cause to be paid back to such municipality, any funds or any part thereof paid to the treasurer or custodian of funds of such fire district by the collector or treasurer of the municipality, representing taxes levied for fire district purposes but not actually collected in cash by said collector or treasurer.

**6. Funding**

The activities of the Marlboro Township Fire District No. 1 are primarily funded by the striking of a fire tax on the property owners of the Fire District, as provided for by state statute. For the years ended December 31, 2011 and 2010, the fire tax rate on Fire District No. 1 was \$.032 and \$.031 per \$100 of assessed valuation, respectively.

The tax revenue is supplemented by income earned on surplus funds invested in certificates of deposit and savings during the year.

The District also participates in the Supplemental Fire Services Program and received a basic entitlement grant. Both of the years ended December 31, 2011 and 2010, the District received \$4,339 in each year.

**7. Pension Plan**

Plan Description

The employees of the Marlboro Township Fire District No. 1 contribute to the Public Employee's Retirement System Pension Plan (PERSPP), a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits. PERSPP provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The State of New Jersey assigns the authority to establish and amend benefit provisions to the PERSPP Board of Trustees. The State of New Jersey Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERSPP.

Funding Policy

Plan members are required to contribute 5.0% of their annual covered salary. The contribution requirements of plan members are established and may be amended by the PERSPP Board of Trustees.

The District also maintains a LOSAP (Length of Service Awards Program) plan. The plan is considered to be a deferred compensation plan for volunteers and the contribution is not based on compensation. New Jersey Statutes set the contribution limits. The contributions for 2011 and 2010 were \$130,002 and \$119,555, respectively.

**Marlboro Township Fire District No. 1**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

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**8. Capital Assets**

The following schedule is a summarization of the capital assets by source for the year ended December 31, 2011:

	Balance As Of 12/31/10	Additions	Disposals	Balance As Of 12/31/11
Equipment	\$ 572,811	\$ 6,972	\$ -	\$ 579,783
Trucks and vehicles	2,178,197	35,413	29,539	2,184,071
Construction in progress	-	5,869	-	5,869
	<u>\$ 2,751,008</u>	<u>\$ 48,254</u>	<u>\$ 29,539</u>	<u>\$ 2,769,723</u>
Accumulated depreciation	<u>\$ 1,752,027</u>	<u>\$ 137,098</u>	<u>\$ 29,539</u>	<u>\$ 1,859,586</u>

Depreciation expense for the years ended December 31, 2011 and 2010 amounted to \$137,098 and \$134,364, respectively.

**9. Rental Charges**

The District contracts with the volunteer fire company to lease the premises on a yearly basis. The volunteer fire company owns the premises. The total rental charges amounted to \$72,600 and \$71,500 for the years ended December 31, 2011 and 2010, respectively.

**10. Risk Management**

The District is exposed to various risks of loss related to limited torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**11. Reclassifications**

Certain amounts reported on the December 31, 2010 financial statements have been reclassified to conform to the current year presentation. Such reclassifications had no effect on net income as previously reported.

**12. Subsequent Events**

The Company has evaluated subsequent events occurring after December 31, 2011 through the date of April 10, 2012, which is the date the financial statements were available to be issued. Based on this evaluation, the District has determined that no subsequent events have occurred, which require disclosure in the financial statements.

## **SUPPLEMENTARY INFORMATION**

**Township of Marlboro Fire District No. 1**  
**County of Monmouth**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - All Governmental Fund Types**  
**Year Ended December 31, 2011**

	<b>Governmental Fund Type</b>		<b>Total Actual Amounts</b>			<b>Budgeted Amounts</b>		<b>Budgetary Variance</b>
	<b>General Fund</b>	<b>Capital Fund</b>	<b>Budgetary Basis</b>	<b>Adjustments Note B</b>	<b>GAAP Basis</b>	<b>Original</b>	<b>Final</b>	
Revenues:								
District taxes	\$ 888,862	\$ -	\$ 888,862	\$ -	\$ 888,862	\$ 888,862	\$ 888,862	\$ -
Supplemental fire services grant	4,339	-	4,339	-	4,339	-	-	4,339
Interest on deposits and investments	2,034	-	2,034	-	2,034	-	-	2,034
Miscellaneous income	19,033	-	19,033	-	19,033	-	-	19,033
Fund balance utilized - unrestricted	-	-	-	-	-	133,888	133,888	(133,888)
Total revenues	914,268	-	914,268	-	914,268	1,022,750	1,022,750	(108,482)
Transfers:								
Reserve for future capital outlays	-	100,000	100,000	(100,000)	-	-	-	100,000
Total general revenues and transfers	914,268	100,000	1,014,268	(100,000)	914,268	1,022,750	1,022,750	(8,482)
Expenditures:								
Operating appropriations:								
Administration:								
Salary and wages:								
Commissioners	30,000	-	30,000	-	30,000	30,000	30,000	-
Clerk of the board	4,958	-	4,958	-	4,958	8,500	8,500	3,542
Total salary and wages	34,958	-	34,958	-	34,958	38,500	38,500	3,542
Other expenses:								
Elections	1,205	-	1,205	-	1,205	2,000	2,000	795
Office expense	6,247	-	6,247	-	6,247	7,000	7,000	753
Professional services	44,024	-	44,024	-	44,024	57,200	57,200	13,176
Total other expenses	51,476	-	51,476	-	51,476	66,200	66,200	14,724
Total administration	86,434	-	86,434	-	86,434	104,700	104,700	18,266

See Independent Auditors' Report.

The accompanying Notes to Required Supplementary Information are an integral part of this schedule.



**Township of Marlboro Fire District No. 1**  
**County of Monmouth**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - All Governmental Fund Types**  
**Year Ended December 31, 2011**

	<u>Governmental Fund Type</u>		<u>Total Actual Amounts</u>			<u>Budgeted Amounts</u>		<u>Budgetary Variance</u>
	<u>General Fund</u>	<u>Capital Fund</u>	<u>Budgetary Basis</u>	<u>Adjustments Note B</u>	<u>GAAP Basis</u>	<u>Original</u>	<u>Final</u>	
Costs of operations and maintenance:								
Fringe benefits	\$ 168,000	\$ -	\$ 168,000	\$ -	\$ 168,000	\$ 168,000	\$ 168,000	\$ -
Other expenses:								
Advertising	1,326	-	1,326	-	1,326	1,000	1,000	(326)
Insurance	68,408	-	68,408	-	68,408	85,000	85,000	16,592
Maintenance and repair	49,742	-	49,742	(33,606) <sup>(1)</sup>	16,136	85,750	85,750	36,008
Membership dues	895	-	895	-	895	1,300	1,300	405
Training and education	230	-	230	-	230	4,000	4,000	3,770
Professional services/medical	5,636	-	5,636	-	5,636	16,000	16,000	10,364
Rental charges and telephone	77,575	-	77,575	-	77,575	80,100	80,100	2,525
Travel expenses	1,295	-	1,295	-	1,295	9,000	9,000	7,705
Reimbursement of expenses	4,843	-	4,843	-	4,843	29,200	29,200	24,357
Fire hydrant rentals	202,253	-	202,253	-	202,253	250,000	250,000	47,747
Uniforms	10,009	-	10,009	-	10,009	10,200	10,200	191
New equipment and supplies	24,703	-	24,703	(14,648) <sup>(1)</sup>	10,055	76,500	76,500	51,797
Public education and recruitment	-	-	-	-	-	2,000	2,000	2,000
Depreciation expense	-	-	-	137,098 <sup>(1)</sup>	137,098	-	-	-
Total other expenses	<u>446,915</u>	<u>-</u>	<u>446,915</u>	<u>88,844</u>	<u>535,759</u>	<u>650,050</u>	<u>650,050</u>	<u>203,135</u>
Total operating appropriations	<u>701,349</u>	<u>-</u>	<u>701,349</u>	<u>88,844</u>	<u>790,193</u>	<u>922,750</u>	<u>922,750</u>	<u>221,401</u>
Capital appropriations:								
Reserve for future capital outlays	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total capital appropriations	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total expenditures	<u>801,349</u>	<u>-</u>	<u>801,349</u>	<u>(11,156)</u>	<u>790,193</u>	<u>1,022,750</u>	<u>1,022,750</u>	<u>221,401</u>
Excess (deficiency) of revenues and transfers over expenditures	112,919	100,000	212,919	(212,919)	-	\$ -	\$ -	\$ 212,919
Change in net assets	-	-	-	124,075	124,075			
Fund balances, beginning of the year	<u>428,201</u>	<u>200,000</u>	<u>628,201</u>	<u>1,031,827</u> <sup>(2)</sup>	<u>1,660,028</u>			
Fund balances, end of the year	<u>\$ 541,120</u>	<u>\$ 300,000</u>	<u>\$ 841,120</u>	<u>\$ 942,983</u>	<u>\$ 1,784,103</u>			

See Independent Auditors' Report.

The accompanying Notes to Required Supplementary Information are an integral part of this schedule.

**Marlboro Township Fire District No. 1**  
**Notes to Required Supplementary Information**  
**Years Ended December 31, 2011 and 2010**

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**A. Budgetary Basis of Accounting**

There are no substantial differences between the District's budgetary basis of accounting and the fund basis of accounting described below.

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its fire districts the entire balance of taxes in the amount voted upon or certified prior to the end of the year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

**B. Budgetary-to-GAAP Reconciliation**

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

	<u>Change in Fund Balance</u>
(1) Encumbrances for equipment and vehicle purchases are reported as expenses in the year the orders are placed for budgetary purposes. For GAAP purposes, the equipment and vehicle purchases are capitalized in the year received.	\$ 48,254
Depreciation expense is not recorded on the budgetary basis of accounting. For GAAP purposes, capitalized assets are depreciated on a straight line basis over their respective useful lives.	<u>(137,098)</u>
Decrease in fund balance - budget to GAAP	(88,844)
(2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the District's budget. (See Note A for a description of the District's budgetary accounting method.) This amount differs from the fund balance reported in the statement of revenues, expenditures, and changes in fund balances because of the cumulative effect of transactions such as those described above.	1,031,827
	<u>\$ 942,983</u>

**C. Budget Cancellation**

Regulations allow the District to cancel unexpended appropriations before year end by resolution. During the year ended December 31, 2011, the District canceled \$-0- of appropriations resulting in a reservation of fund balance as follows:

**Marlboro Township Fire District No. 1**  
**Notes to Required Supplementary Information**  
**Years Ended December 31, 2011 and 2010**

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**C. Budget Cancellation (continued)**

Adopted budget	\$ 1,022,750
Expenditures	<u>801,349</u>
Favorable variance	221,401
Cancelled	<u>-</u>
Fund balance reserve	<u><u>\$ 221,401</u></u>

**Township of Marlboro Fire District No. 1**  
**County of Monmouth**  
**Schedule of Improvement Authorizations - Capital Fund**  
**Year Ended December 31, 2011**

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<u>Purpose</u>	<u>Authorized Appropriation Date</u>	<u>Amount</u>	<u>Balance December 31, 2010</u>	<u>2011 Authorization</u>	<u>2011 Expenditures</u>	<u>Balance December 31, 2011</u>
Replacement Fire Truck	9/20/08	\$ 525,000	\$ 32,846	\$ -	\$ -	\$ 32,846
		<u>\$ 525,000</u>	<u>\$ 32,846</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,846</u>

**Township of Marlboro Fire District No. 1**  
**County of Monmouth**  
**Schedule of Improvement Authorizations - Capital Fund**  
**Year Ended December 31, 2010**

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<u>Purpose</u>	<u>Authorized Appropriation Date</u>	<u>Amount</u>	<u>Balance December 31, 2009</u>	<u>2010 Authorization</u>	<u>2010 Expenditures</u>	<u>Balance December 31, 2010</u>
Replacement Fire Truck	9/20/08	\$ 525,000	\$ 32,846	\$ -	\$ -	\$ 32,846
		<u>\$ 525,000</u>	<u>\$ 32,846</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,846</u>

**Marlboro Township Fire District No. 1**  
**Statistical Information**  
**Years Ended December 31, 2011 and 2010**

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**Property Tax Levies**

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

<b>Fiscal Year</b>	<b>Assessed Valuations</b>	<b>Total Tax Levy</b>	<b>Property Taxes</b>
2011	\$ 2,866,163,328	\$ 888,862	\$ 0.032
2010	2,874,731,915	868,492	0.031
2009	1,350,479,218	883,166	0.066
2008	1,343,020,504	863,941	0.065
2007	1,340,775,120	707,266	0.053
2006	1,316,211,923	661,356	0.051

**Unreserved Fund Balance**

<b>Fiscal Year Ended</b>	<b>End of Fiscal Year</b>	<b>Utilization in Subsequent Budget</b>
December 31, 2011	\$ 319,719	\$ 150,255
December 31, 2010	248,955	133,888
December 31, 2009	244,380	121,374
December 31, 2008	291,318	135,000
December 31, 2007	281,223	130,000
December 31, 2006	243,559	130,000

**Reserved Fund Balance**

	<b>End of Fiscal Year</b>	<b>Utilization in Subsequent Budget</b>
December 31, 2011	\$ 300,000	\$ -
December 31, 2010	200,000	-
December 31, 2009	100,000	-
December 31, 2008	450,000	450,000
December 31, 2007	250,000	-
December 31, 2006	150,000	-

**Marlboro Township Fire District No. 1**  
**Roster of Officials**  
**Years Ended December 31, 2011 and 2010**

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<b>Board of Commissioners</b>	<b>Position</b>	<b>Amount of Surety Bond*</b>
Michael MacDonald	Chairman of the Board	\$ 200,000.00*
John Borden	Vice Chairman of the Board	200,000.00*
Charles VanCuren	Treasurer of the Board	200,000.00*
Douglas Tilton	Secretary of the Board	200,000.00*
Paul Elkin	Assistant Treasurer of the Board	200,000.00*

**Other Officials**

Charles Brodsky	Board Attorney
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\* Blanket Bond Coverage

**Surety Company**

Selective Insurance Company

# **Marlboro Township Fire District No. 1**

## **Comments and Recommendations**

### **Years Ended December 31, 2011 and 2010**

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#### **Scope of Examination and Conditions of Records**

Our examination covered the funds of the Board of Fire Commissioners, Fire District No. 1, Township of Marlboro handled by the Treasurer and Board Clerk.

The Financial records were not maintained in good condition.

Minutes of Board meetings were properly maintained by the Board Clerk.

#### **Cash in Banks**

The balances in banks at December 31, 2011 were not properly reconciled with statements issued by the depositories.

Our examination revealed that the Fire District maintains its investments in certificates of deposit.

#### **Examination of Claims**

Claims paid during the period under review were examined on a test basis to determine that they are submitted on Board vouchers, itemized, signed by the officials as to approval for payment, allocated to the proper accounts and charged to the proper fiscal period, and in agreement with the bill list set forth in the approved minutes of the Board.

The District's five (5) Commissioners receive a fee for meeting attendance during the year.

#### **Contracts and Agreements Required to be Advertised**

##### **For N.J.S. 40A:11-4**

N.J.S. 40A:11-4 states, "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding the bid threshold of \$17,500 except by contract or agreement". Furthermore, contracting units now have a quotation threshold of \$2,625.

The members of the Township of Marlboro Fire District No. 1 have the responsibility of determining whether any contract or agreement might result in violation of the statute and, when necessary, the Board Attorney's opinion should be sought before a commitment is made.

The results of our examination indicated that no individual payments, contracts or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies", in excess of the statutory thresholds where there had been no advertising for bids in accordance with provisions of N.J.S.A. 40A:11-21.

#### **Miscellaneous**

An exit conference was held in accordance with *Generally Accepted Government Auditing Standards*.

#### **Acknowledgment**

During the course of the audit, we received the cooperation of the officials of the Fire District and we appreciate the courtesies extended to us.

See Independent Auditors' Report.

**Marlboro Township Fire District No. 1**  
**Comments and Recommendations**  
**Years Ended December 31, 2011 and 2010**

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**Recommendations**

See Schedule of Findings and Recommendations.

The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Respectfully submitted,



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Ronald C. Petrics  
Registered Municipal Accountant # 474

For the Firm  
WithumSmith+Brown, P.C.



**Marlboro Township Fire District No. 1**  
**Schedule of Findings and Recommendations**  
**Years Ended December 31, 2011 and 2010**

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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 Regulations, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Significant Deficiencies**

Finding # 2011-01

During the conduct of our audit we concluded that the District's internal control regarding material adjustments could be improved.

In order to improve control over material adjustments, we recommend that the District maintain and review a standard monthly transaction and reporting checklist to better ensure that all material adjustments required to be made to the financial statements are recorded by management on a timely basis, thereby resulting in better internal control.

Finding # 2011-02

During our testing of cash, we noted the bank reconciliations were not properly done and reconciled to the general ledger. There are outstanding payments on the bank reconciliations that are not truly payments. They are from adjustments that were done twice. We also noted a range of outstanding checks on the bank reconciliation when they have been voided in the general ledger. In addition, there are a few months of interest income not recorded in the general ledger.

In order to improve internal controls over the District's cash, we recommend that bank reconciliations be reviewed by another individual with knowledge of accounting principles, specifically in the area of cash. All cash adjusting entries need to be reviewed and approved before posting them. Any journal entries that are not done properly need to be corrected on a timely manner. All interest earned needs to be recorded on a monthly basis.

Finding # 2011-03

During our audit of the District's accounts payable, we noted that the accounts payable listing and general ledger are not in agreement. Payments were misapplied to accounts payable which resulted understating the accounts payable and overstating other accrued accounts. We also noted one invoice paid in 2012 for 2011 was not accrued at year end.

In order to improve internal control over the District's accounts payable, we recommend that individuals responsible for financial reporting, especially in the accounts payable area, obtain training as deemed appropriate on relevant accounting principles in order to better select and apply such principles in the District's financial statements. We further recommend that all vouchers be recorded in the period which they are incurred and the accounts payable ledger be reviewed for accuracy on a periodic basis.

**Marlboro Township Fire District No. 1**  
**Schedule of Prior Year Findings and Recommendations**  
**Years Ended December 31, 2011 and 2010**

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**Schedule of Financial Statement Findings**

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*.

**Significant Deficiencies**

Finding # 2010-01

Condition:

During our testing of accounts payable and reserve for encumbrances, we noted that neither an accounts payable listing nor a reserve for encumbrances was maintained at year end. Also, invoices were misapplied to accounts payable which resulted in a debit balance in the account.

Status:

We have similar finding in the current year so this issue was not corrected.