

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

Financial Statements

December 31, 2012 and 2011

With Independent Auditors' Report

Marlboro Township Fire District No. 1
Table of Contents
December 31, 2012 and 2011

	Page(s)
Management's Discussion and Analysis	A1-A4
Independent Auditors' Report	1-3
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4-5
Financial Statements	
Statements of Net Assets and Governmental Funds Balance Sheet.....	6-7
Statements of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances.....	8-9
Notes to Financial Statements	10-17
Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - All Governmental Fund Types.....	18-19
Notes to Required Supplementary Information.....	20-21
Other Schedules	
Schedules of Improvement Authorizations - Capital Fund	22-23
Statistical Information.....	24
Roster of Officials	25
Comments and Recommendations	26-27
Schedule of Findings and Recommendations	28
Schedule of Prior Year Findings and Recommendations.....	29

Township of Marlboro

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, 2012.

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, 2012, net assets changed as follows:

	2012 GAAP Basis			Increase (Decrease) over 2011	Percentage Increase (Decrease)
	General Fund Activities	Capital Fund Activities	Total		
Assets					
Current and other assets	\$ 1,150,974	\$ -	\$ 1,150,974	\$ 160,057	16.15%
Capital assets	-	810,438	810,438	(99,699)	(10.95%)
Total assets	<u>\$ 1,150,974</u>	<u>\$ 810,438</u>	<u>\$ 1,961,412</u>	<u>\$ 60,358</u>	3.17%
Other liabilities	\$ 131,229	\$ -	\$ 131,229	\$ 14,278	12.21%
Net assets					
Invested in capital assets, net of accumulated depreciation			810,438	(99,699)	(10.95%)
Restricted			32,846	-	0.00%
Unrestricted			986,899	145,779	17.33%
Total net assets			<u>1,830,183</u>	<u>46,080</u>	2.58%
Total liabilities and net assets			<u>\$ 1,961,412</u>	<u>\$ 60,358</u>	3.17%

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, 2012 and the amount and percentage of increases and decreases in relation to the prior year.

	2012 GAAP Amount	Percentage of Total Revenues	Increase (Decrease) over 2011	Percentage Increase (Decrease)
Revenues				
District taxes	\$ 921,007	99.25%	\$ 32,145	3.62%
SFSG	4,339	0.46%	-	0%
Interest on deposits and investments	1,632	0.18%	(402)	(19.76%)
Miscellaneous income	1,019	0.11%	(18,014)	(94.65%)
Total revenues	<u>\$ 927,997</u>	<u>100.00%</u>	<u>\$ 13,729</u>	<u>1.50%</u>

District revenues experienced a slightly increase this year.

	FYE 2012 GAAP Amount	Percentage of Total Expenditures	Increase (Decrease) over 2011	Percentage Increase (Decrease)
Expenditures				
Commissioners	\$ 30,000	3.40%	\$ -	0%
Clerk of the Board	7,200	0.82%	2,242	45.22%
Elections	975	0.11%	(230)	(19.09%)
Office expenses	6,052	0.69%	(195)	(3.12%)
Professional services	53,891	6.11%	9,867	22.41%
Fringe benefits	181,360	20.56%	13,360	7.95%
Advertising	710	0.08%	(616)	(46.46%)
Insurance	69,891	7.92%	1,483	2.17%
Maintenance and repairs	65,870	7.47%	49,734	308.22%
Membership/dues	365	0.04%	(530)	(59.22%)
Training and education	974	0.11%	744	323.48%
Uniforms	15,335	1.74%	5,326	53.21%
Professional services/medical	4,065	0.46%	(1,571)	(27.87%)
Rental charges and telephone	76,535	8.68%	(1,040)	(1.34%)
Travel expenses	616	0.07%	(679)	(52.43%)
Fire hydrant rentals	210,003	23.81%	7,750	3.83%
New equipment and supplies	23,855	2.70%	13,800	137.25%
Reimbursement of expenses	702	0.08%	(4,141)	(85.50%)
Depreciation expense	133,518	15.14%	(3,580)	(2.61%)
Total expenditures	<u>\$ 881,917</u>	<u>100.00%</u>	<u>\$ 91,724</u>	<u>11.61%</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 an increase in total expenditures of approximately \$92,000 or 12%, due mainly to an increase of various maintenance repairs.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board has revised the General Fund budget once. This budget amendment was a transfer within appropriations as a precaution to avoid over expending individual line items.

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 \$32,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

For the year ended December 31, 2012, Capital Assets changed as follows:

	2011 GAAP Basis	Additions	Transfers	2012 GAAP Basis	Percentage Increase (Decrease)
Capital assets					
Equipment	\$ 579,783	\$ 8,222	\$ 5,869	\$ 593,874	2.43%
Trucks and vehicles	2,184,071	-	-	2,184,071	0.00%
Construction in progress	5,869	25,597	(5,869)	25,597	336.14%
	2,769,723	33,819	-	2,803,542	1.22%
Accumulated depreciation	1,859,586	133,518	-	1,993,104	7.18%
Capital assets, net	<u>\$ 910,137</u>	<u>\$ (99,699)</u>	<u>\$ -</u>	<u>\$ 810,438</u>	-10.95%

The District accounted for its purchase of equipment.

Debt

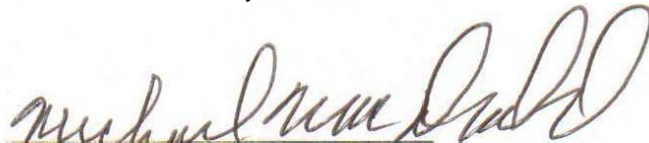
At year-end, the District had no debt.

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 07746.



Michael MacDonald, Chairman
Board of Fire Commissioners



WithumSmith+Brown, PC
Certified Public Accountants and Consultants

1144 Hooper Avenue, Suite 202
Toms River, NJ 08753 USA
732 341 8728 . fax 732 341 8787
www.withum.com

Additional Offices in New Jersey,
New York, Pennsylvania, Maryland,
Florida, and Colorado

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marlboro Township Fire District No. 1, Monmouth County, New Jersey as of and for the years ended December 31, 2012 and 2011, and related notes to the financial statements, which collectively comprise Marlboro Township Fire District No. 1's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Marlboro Township Fire District No. 1's 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.

Auditors' Responsibility

Our responsibility is to express opinions on these 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 audit to obtain reasonable assurance about whether the financial statements are free from 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Marlboro Township Fire District No. 1, Monmouth County, New Jersey as of December 31, 2012 and 2011, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 the Governmental Accounting Standards 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 audits 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 Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Marlboro Township Fire District No. 1's basic financial statements. 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 2012 and 2011 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 as a whole.

The Statistical Information and Roster of Officials have 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2013 on our consideration of the Marlboro Township Fire District No. 1's 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* in considering Marlboro Township Fire District No. 1's internal control over financial reporting and compliance.

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

Ronald C. Petrics
Registered Municipal Accountant (# 474)

May 14, 2013



WithumSmith+Brown, PC
Certified Public Accountants and Consultants

1144 Hooper Avenue, Suite 202
Toms River, NJ 08753 USA
732 341 8728 . fax 732 341 8787
www.withum.com

Additional Offices in New Jersey,
New York, Pennsylvania, Maryland,
Florida, and Colorado

**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, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marlboro Township Fire District No. 1, Monmouth County, New Jersey, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise Marlboro Township Fire District No. 1's basic financial statements, and have issued our report thereon dated May 14, 2013.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered Marlboro Township Fire District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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. Accordingly, we do not express an opinion on the effectiveness of Marlboro Township Fire District No. 1'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.

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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audits 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 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*.

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 on compliance. This report is an integral part of an 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.

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

Ronald C. Petrics
Registered Municipal Accountant (# 474)

May 14, 2013

Marlboro Township Fire District No. 1
County of Monmouth
Statement of Net Assets and Governmental Fund Balance Sheet
December 31, 2012

	General Fund	Capital Fund	Total	Adjustments (Note 2)	Statement of Net Assets
Assets					
Cash	\$ 797,370	\$ -	\$ 797,370	\$ -	\$ 797,370
Short term investments	313,576	-	313,576	-	313,576
Interest receivable	33	-	33	-	33
Prepaid insurance	39,995	-	39,995	-	39,995
Interfund receivable	-	457,846	457,846	(457,846)	-
Capital assets, net	-	-	-	810,438	810,438
Total assets	<u>\$ 1,150,974</u>	<u>\$ 457,846</u>	<u>\$ 1,608,820</u>	<u>\$ 352,592</u>	<u>\$ 1,961,412</u>
Liabilities					
Current liabilities					
Accounts payable	\$ 85,498	\$ -	\$ 85,498	\$ -	\$ 85,498
Reserve for unemployment	3,924	-	3,924	-	3,924
Reserve for LOSAP	41,807	-	41,807	-	41,807
Interfund payable	457,846	-	457,846	(457,846)	-
Improvement authorizations	-	32,846	32,846	(32,846)	-
Accrued wages and taxes payable	-	-	-	-	-
Total current liabilities	<u>589,075</u>	<u>32,846</u>	<u>621,921</u>	<u>(490,692)</u>	<u>131,229</u>
Fund Balances and Net Assets					
Fund balances:					
Committed:					
Capital improvements	-	425,000	425,000	(425,000)	-
Assigned:					
Designated for subsequent years' expenditures	171,590	-	171,590	(171,590)	-
Appropriation reserves	164,044	-	164,044	(164,044)	-
Unassigned:					
General fund	<u>226,265</u>	<u>-</u>	<u>226,265</u>	<u>(226,265)</u>	<u>-</u>
Total fund balances	<u>561,899</u>	<u>425,000</u>	<u>986,899</u>	<u>(986,899)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,150,974</u>	<u>\$ 457,846</u>	<u>\$ 1,608,820</u>		
Net assets					
Invested in capital assets, net of accumulated depreciation				810,438	810,438
Restricted for capital acquisitions				32,846	32,846
Unrestricted				<u>986,899</u>	<u>986,899</u>
Total net assets				<u>\$ 1,830,183</u>	<u>\$ 1,830,183</u>

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

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

	General Fund	Capital Fund	Total	Adjustments (Note 2)	Statement of Net Assets
Assets					
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
Total Assets	<u>\$ 990,917</u>	<u>\$ 332,846</u>	<u>\$ 1,323,763</u>	<u>\$ 577,291</u>	<u>\$ 1,901,054</u>
Liabilities					
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	<u>543</u>	<u>-</u>	<u>543</u>	<u>-</u>	<u>543</u>
Total current liabilities	449,797	32,846	482,643	(365,692)	116,951
Fund Balances and Net Assets					
Fund balances:					
Committed:					
Capital improvements	-	300,000	300,000	(300,000)	-
Assigned:					
Designated for subsequent					
years' expenditures	150,255	-	150,255	(150,255)	-
Appropriation reserves	221,401	-	221,401	(221,401)	-
Unassigned:					
General fund	<u>169,464</u>	<u>-</u>	<u>169,464</u>	<u>(169,464)</u>	<u>-</u>
Total fund balances	<u>541,120</u>	<u>300,000</u>	<u>841,120</u>	<u>(841,120)</u>	<u>-</u>
Total liabilities and fund balances	<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				<u>841,120</u>	<u>841,120</u>
Total net assets				<u>\$ 1,784,103</u>	<u>\$ 1,784,103</u>

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

Marlboro Township Fire District No. 1
County of Monmouth
Statement of Activities and Governmental Fund Revenues, Expenditures and
Changes in Fund Balances
Year Ended December 31, 2012

	General Fund	Capital Fund	Total	Adjustments (Note 3)	Statement of Activities
Expenditures					
Operating appropriations	\$ 782,218	\$ -	\$ 782,218	\$ 99,699	\$ 881,917
Reserve for future capital outlays	<u>125,000</u>	<u>-</u>	<u>125,000</u>	<u>(125,000)</u>	<u>-</u>
Total expenditures	907,218	-	907,218	(25,301)	881,917
General revenues					
District taxes	921,007	-	921,007	-	921,007
Interest on deposits and investments	1,632	-	1,632	-	1,632
Supplemental fire services grant	4,339	-	4,339	-	4,339
Miscellaneous	<u>1,019</u>	<u>-</u>	<u>1,019</u>	<u>-</u>	<u>1,019</u>
Total general revenues	927,997	-	927,997	-	927,997
Transfers					
Reserve for future capital outlays	<u>-</u>	<u>125,000</u>	<u>125,000</u>	<u>(125,000)</u>	<u>-</u>
Total general revenues and transfers	<u>927,997</u>	<u>125,000</u>	<u>1,052,997</u>	<u>(125,000)</u>	<u>927,997</u>
Excess (deficiency) of revenues and transfers over expenditures	20,779	125,000	145,779	(145,779)	-
Change in net assets	-	-	-	46,080	46,080
Fund balances / net assets					
Beginning of year	<u>541,120</u>	<u>300,000</u>	<u>841,120</u>	<u>942,983</u>	<u>1,784,103</u>
End of year	<u>\$ 561,899</u>	<u>\$ 425,000</u>	<u>\$ 986,899</u>	<u>\$ 843,284</u>	<u>\$ 1,830,183</u>

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

Marlboro Township 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

	General Fund	Capital Fund	Total	Adjustments (Note 3)	Statement of Activities
Expenditures					
Operating appropriations	\$ 701,349	\$ -	\$ 701,349	\$ 88,844	\$ 790,193
Reserve for future capital outlays	100,000	-	100,000	(100,000)	-
Total expenditures	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	19,033	-	19,033	-	19,033
Total general revenues	914,268	-	914,268	-	914,268
Transfers					
Reserve for future capital outlays	-	100,000	100,000	(100,000)	-
Total general revenues and transfers	914,268	100,000	1,014,268	(100,000)	914,268
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	428,201	200,000	628,201	1,031,827	1,660,028
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.

Marlboro Township Fire District No. 1
County of Monmouth
Notes to Financial Statements
December 31, 2012 and 2011

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, 2012 and 2011 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. 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Marlboro Township Fire District No. 1
County of Monmouth
Notes to Financial Statements
December 31, 2012 and 2011

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.

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

Marlboro Township Fire District No. 1
County of Monmouth
Notes to Financial Statements
December 31, 2012 and 2011

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 firefighting equipment and general purpose vehicles and 12 years for firefighting 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

Fund balance is reported in classifications depicting the relative strength of the constraint that controls how specific amounts can be spent. Classifications are as follow:

- Nonspendable – includes amounts that are not in a spendable form or not expected to be converted to cash (inventory, for example) or are legally and contractually required to be maintained intact (principal of an endowment fund, for example).
- Restricted – includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors, contributors, creditors, or law or regulations of other governments or through enabling legislation that creates a new revenue source and restricts its use. Restrictions may be changed or lifted with the consent of resource providers.
- Committed – includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority, the Board of Commissioners. The constraint can only be removed or changed by taking the same type of action the District employed to commit those amounts. Such formal action consists of an affirmative vote by the Board of Commissioners.
- Assigned – comprises amounts intended to be used by the District for specific purposes, but are neither restricted nor committed. Intent is expressed by the District Board of Commissioners.
- Unassigned – this is the residual amount for the General Fund, and represents fund balance that has not been restricted, committed, or assigned. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned, it may be necessary to report a negative unassigned fund balance.

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".

Marlboro Township Fire District No. 1
County of Monmouth
Notes to Financial Statements
December 31, 2012 and 2011

I. Advertising

The District expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2012 and 2011 approximated \$700 and \$1,300, respectively.

2. Adjustments to Arrive at Net Assets

A. Interfund Receivables and Payables

For the years ended December 31, 2012 and 2011 interfund receivables and payables in the amount of \$457,846 and \$332,846, respectively have been eliminated in arriving at the government-wide presentation.

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

For the years ended December 31, 2012 and 2011 capital assets, net in the amount of \$810,438 and \$910,137 respectively, and invested in capital assets, net in the amount of \$810,438 and \$910,137, 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, 2012 and 2011, fund balances in the amount of \$986,899 and \$841,120, respectively have been eliminated. Unrestricted net assets in the amount of \$986,899 and \$841,120, 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, 2012 and 2011 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, 2012, depreciation expense in the amount of \$133,518 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 \$26,869 and maintenance and repairs expense has been decreased by \$6,950. The effect on operating appropriations is an increase of \$99,699.

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.

B. Reserve for Future Capital Outlays and Related Transfers

For the years ended December 31, 2012 and 2011 reserve for future capital outlays and related transfers has been decreased by \$125,000 and \$100,000, respectively. The decrease is to eliminate the general fund expenditure and capital fund revenue related to the creation of future improvement authorizations.

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

Marlboro Township Fire District No. 1
County of Monmouth
Notes to Financial Statements
December 31, 2012 and 2011

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.

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, 2012 and 2011 the District's cash accounts consisted of:

	2012	2011
The Fulton Bank of New Jersey	\$ 761,064	\$ 605,181
Bank of America	36,256	36,242
Petty cash	50	50
Total Cash	<u>\$ 797,370</u>	<u>\$ 641,473</u>

The carrying amount of the Board's cash and cash equivalents at December 31, 2012 was \$797,370 and the bank balance was \$798,880. Of the balance, \$286,257 was covered by federal depository insurance and \$512,623 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	\$ 286,257
Category 2	Deposits which are collateralized with securities held by the pledging financial institution's trust department, or Agent in the District's name	512,623
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

Marlboro Township Fire District No. 1
County of Monmouth
Notes to Financial Statements
December 31, 2012 and 2011

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.
- (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, 2012 and 2011 the District's investments consisted of:

	2012	2011
Certificates of Deposit:		
Bank of America	\$ 168,453	\$ 168,219
Hudson City Savings Bank	145,123	144,273
Total Investments	<u>\$ 313,576</u>	<u>\$ 312,492</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, 2012 and 2011, along with the basis for the determination of fair value:

	<u>Basis for Valuation</u> <u>Observable Measurement Criteria</u> <u>(Level 2)</u>
Certificates of Deposit - 2012	<u>\$ 313,576</u>
Certificates of Deposit - 2011	<u>\$ 312,492</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]:14-79), 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

Marlboro Township Fire District No. 1
County of Monmouth
Notes to Financial Statements
December 31, 2012 and 2011

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 21.25% of all moneys so assessed; on or before July 1, an amount equaling 22.5% 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 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, 2012 and 2011, the fire tax rate on Fire District No. 1 was \$.033 and \$.032 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, 2012 and 2011, the District received \$4,339 in each year.

7. LOSAP

The District maintains a LOSAP (Length of Service Awards Program). The program 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 2012 and 2011 were \$177,551 and \$130,002, respectively.

8. Capital Assets

The following schedule is a summarization of the capital assets by source for the year ended December 31, 2012:

Marlboro Township Fire District No. 1
County of Monmouth
Notes to Financial Statements
December 31, 2012 and 2011

	Balance As Of 12/31/11	Additions	Transfers	Balance As Of 12/31/12
Equipment	\$ 579,783	\$ 8,222	\$ 5,869	\$ 593,874
Trucks and vehicles	2,184,071	-	-	2,184,071
Construction in progress	5,869	25,597	(5,869)	25,597
	2,769,723	33,819	-	2,803,542
Accumulated depreciation	1,859,586	133,518	-	1,993,104
Capital assets, net	<u>\$ 910,137</u>	<u>\$ (99,699)</u>	<u>\$ -</u>	<u>\$ 810,438</u>

Depreciation expense for the years ended December 31, 2012 and 2011 amounted to \$133,518 and \$137,098, 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. For the years ended December 31, 2012 and 2011, the total rental charges amounted to \$72,600 for each year.

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, 2011 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, 2012 through the date of May 14, 2013, 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

Marlboro Township 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, 2012

	Governmental Fund Type		Total Actual Amounts			Budgeted Amounts		Budgetary Variance
	General Fund	Capital Fund	Budgetary Basis	Adjustments Note B	GAAP Basis	Original	Final	
Revenues:								
District taxes	\$ 921,007	\$ -	\$ 921,007	\$ -	\$ 921,007	\$ 921,007	\$ 921,007	\$ -
Supplemental fire services grant	4,339	-	4,339	-	4,339	-	-	4,339
Interest on deposits and investments	1,632	-	1,632	-	1,632	-	-	1,632
Miscellaneous income	1,019	-	1,019	-	1,019	-	-	1,019
Fund balance utilized - unrestricted	-	-	-	-	-	150,255	150,255	(150,255)
Total revenues	927,997	-	927,997	-	927,997	1,071,262	1,071,262	(143,265)
Transfers:								
Reserve for future capital outlays	-	125,000	125,000	(125,000)	-	-	-	125,000
Total general revenues and transfers	927,997	125,000	1,052,997	(125,000)	927,997	1,071,262	1,071,262	(18,265)
Expenditures:								
Operating appropriations:								
Administration:								
Salary and wages:								
Commissioners	30,000	-	30,000	-	30,000	30,000	30,000	-
Clerk of the board	7,200	-	7,200	-	7,200	8,500	8,500	1,300
Total salary and wages	37,200	-	37,200	-	37,200	38,500	38,500	1,300
Other expenses:								
Elections	975	-	975	-	975	2,000	2,000	1,025
Office expense	6,052	-	6,052	-	6,052	7,000	7,000	948
Professional services	53,891	-	53,891	-	53,891	57,200	57,200	3,309
Total other expenses	60,918	-	60,918	-	60,918	66,200	66,200	5,282
Total administration	98,118	-	98,118	-	98,118	104,700	104,700	6,582

See Independent Auditors' Report.
The accompanying Notes to Supplementary Information are an integral part of this schedule.

Marlboro Township 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, 2012

	<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	\$ 181,360	\$ -	\$ 181,360	\$ -	\$ 181,360	\$ 171,360	\$ 181,360	\$ -
Other expenses:								
Advertising	710	-	710	-	710	3,000	3,000	2,290
Insurance	69,891	-	69,891	-	69,891	90,950	85,950	16,059
Maintenance and repair	72,820	-	72,820	(6,950) ⁽¹⁾	65,870	88,000	88,000	15,180
Membership dues	365	-	365	-	365	1,300	1,300	935
Training and education	974	-	974	-	974	8,000	8,000	7,026
Professional services/medical	4,065	-	4,065	-	4,065	16,000	16,000	11,935
Rental charges and telephone	76,535	-	76,535	-	76,535	81,552	81,552	5,017
Travel expenses	616	-	616	-	616	8,500	3,500	2,884
Reimbursement of expenses	702	-	702	-	702	29,200	29,200	28,498
Fire hydrant rentals	210,003	-	210,003	-	210,003	255,000	255,000	44,997
Uniforms	15,335	-	15,335	-	15,335	10,200	10,200	(5,135)
New equipment and supplies	50,724	-	50,724	(26,869) ⁽¹⁾	23,855	76,500	76,500	25,776
Public education and recruitment	-	-	-	-	-	2,000	2,000	2,000
Depreciation expense	-	-	-	133,518 ⁽¹⁾	133,518	-	-	-
Total other expenses	<u>502,740</u>	<u>-</u>	<u>502,740</u>	<u>99,699</u>	<u>602,439</u>	<u>670,202</u>	<u>660,202</u>	<u>157,462</u>
Total operating appropriations	<u>782,218</u>	<u>-</u>	<u>782,218</u>	<u>99,699</u>	<u>881,917</u>	<u>946,262</u>	<u>946,262</u>	<u>164,044</u>
Capital appropriations:								
Reserve for future capital outlays	125,000	-	125,000	(125,000)	-	125,000	125,000	-
Total capital appropriations	<u>125,000</u>	<u>-</u>	<u>125,000</u>	<u>(125,000)</u>	<u>-</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Total expenditures	<u>907,218</u>	<u>-</u>	<u>907,218</u>	<u>(25,301)</u>	<u>881,917</u>	<u>1,071,262</u>	<u>1,071,262</u>	<u>164,044</u>
Excess (deficiency) of revenues and transfers over expenditures	20,779	125,000	145,779	(145,779)	-	\$ -	\$ -	\$ 145,779
Change in net assets	-	-	-	46,080	46,080			
Fund balances, beginning of the year	<u>541,120</u>	<u>300,000</u>	<u>841,120</u>	<u>942,983</u> ⁽²⁾	<u>1,784,103</u>			
Fund balances, end of the year	<u>\$ 561,899</u>	<u>\$ 425,000</u>	<u>\$ 986,899</u>	<u>\$ 843,284</u>	<u>\$ 1,830,183</u>			

See Independent Auditors' Report.
The accompanying Notes to Supplementary Information are an integral part of this schedule.

Marlboro Township Fire District No. 1
County of Monmouth
Notes to Supplementary Information
Year Ended December 31, 2012

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.	\$ 33,819
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>(133,518)</u>
Decrease in fund balance - budget to GAAP	(99,699)
(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.	<u>942,983</u>
	<u>\$ 843,284</u>

C. Budget Cancellation

Regulations allow the District to cancel unexpended appropriations before year end by resolution. During the year ended December 31, 2012, the District canceled \$-0- of appropriations resulting in a reservation of fund balance as follows:

Marlboro Township Fire District No. 1
County of Monmouth
Notes to Supplementary Information
Year Ended December 31, 2012

C. Budget Cancellation (continued)

Adopted budget	\$ 1,071,262
Expenditures	<u>907,218</u>
Favorable variance	164,044
Cancelled	<u>-</u>
Fund balance reserve	<u><u>\$ 164,044</u></u>

Marlboro Township Fire District No. 1
County of Monmouth
Schedule of Improvement Authorizations – Capital Fund
Year Ended December 31, 2012

<u>Purpose</u>	<u>Authorized Appropriation Date</u>	<u>Amount</u>	<u>Balance December 31, 2011</u>	<u>2012 Authorization</u>	<u>2012 Expenditures</u>	<u>Balance December 31, 2012</u>
Replacement Fire Truck	2/21/04 & 9/20/08	\$ 975,000	\$ 32,846	\$ -	\$ -	\$ 32,846
Total		<u>\$ 975,000</u>	<u>\$ 32,846</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,846</u>

See Independent Auditors' Report.

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

<u>Purpose</u>	<u>Date</u>	<u>Authorized Appropriation 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	2/21/04 & 9/20/08	\$ 975,000	\$ 32,846	\$ -	\$ -	\$ 32,846
Total		<u>\$ 975,000</u>	<u>\$ 32,846</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,846</u>

See Independent Auditors' Report.

Marlboro Township Fire District No. 1
County of Monmouth
Statistical Information
Years Ended December 31, 2012 and 2011

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 six years:

Fiscal Year	Assessed Valuations	Total Tax Levy	Property Tax Rates
2012	\$ 2,866,138,468	\$ 921,007	\$ 0.033
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

General Fund – Fund Balance

Fiscal Year Ended	End of Fiscal Year	Utilization in Subsequent Budget
December 31, 2012	\$ 397,855	\$ 171,590
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

Capital Fund – Fund Balance

Fiscal Year Ended	End of Fiscal Year	Utilization in Subsequent Budget
December 31, 2012	\$ 425,000	\$ -
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	-

See Independent Auditors' Report.

Marlboro Township Fire District No. 1
County of Monmouth
Roster of Officials
Years Ended December 31, 2012 and 2011

Board of Commissioners	Position	Amount of Surety Bond*
Michael MacDonald	Chairman of the Board	\$ 200,000*
John Borden	Vice Chairman of the Board	200,000*
Charles VanCuren	Treasurer of the Board	200,000*
Douglas Tilton	Secretary of the Board	200,000*
Paul Elkin	Assistant Treasurer of the Board	200,000*

Other Officials

Charles Brodsky	Board Attorney
-----------------	----------------

* Blanket Bond Coverage

Surety Company

Selective Insurance Company

Marlboro Township Fire District No. 1
County of Monmouth
Comments and Recommendations
Years Ended December 31, 2012 and 2011

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 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, 2012 were 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
County of Monmouth
Comments and Recommendations
Years Ended December 31, 2012 and 2011

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,



Ronald C. Petrics
Registered Municipal Accountant # 474

For the Firm
WithumSmith+Brown, P.C.

Marlboro Township Fire District No. 1
County of Monmouth
Schedule of Findings and Recommendations
Years Ended December 31, 2012 and 2011

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.

Material Weaknesses

None

Marlboro Township Fire District No. 1
County of Monmouth
Schedule of Prior Year Findings and Recommendations
Years Ended December 31, 2012 and 2011

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 # 2011-01

Condition:

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

Status:

Issue was corrected. The District maintained a reporting checklist to ensure all material adjustments required to be made to the financial statements recorded on a timely basis.

Finding # 2011-02

Condition:

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.

Status:

Issue was corrected. Bank reconciliations have been reviewed by an individual with knowledge of accounting principles, specifically in the area of cash. All cash adjusting entries have been reviewed and approved before posting them. All interest earned has been recorded on a monthly basis.

Finding # 2011-03

Condition:

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.

Status:

Issue was corrected. Individual responsible for financial reporting has been trained on relevant accounting principles. All vouchers have been recorded in the period which they are incurred and the accounts payable ledger has been reviewed for accuracy on a periodic basis.