

**BOROUGH OF ENGLISHTOWN  
FIRE DISTRICT NO. 1  
MONMOUTH COUNTY, NEW JERSEY**

**Financial Statements**

**December 31, 2011 and 2010**

**With Independent Auditors' Report**

**Borough of Englishtown Fire District No. 1**  
**Monmouth County, New Jersey**  
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**December 31, 2011 and 2010**

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# **BOROUGH OF ENGLISHTOWN FIRE DISTRICT NO. 1**

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

Our discussion and analysis of the Borough of Englishtown 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 provide 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 formed 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			Increase (Decrease) over 2010	Percentage Increase (Decrease)
	General Fund Activities	Capital Fund Activities	Total		
Assets					
Current and other assets	\$ 556,181	\$ -	\$ 556,181	\$ 66,421	13.56%
Capital assets	-	1,002,939	1,002,939	(73,545)	(6.83%)
Total assets	<u>\$ 556,181</u>	<u>\$ 1,002,939</u>	<u>\$ 1,559,120</u>	<u>\$ (7,124)</u>	(0.45%)
Total liabilities	\$ 210,287	\$ 595,000	\$ 805,287	\$ (21,981)	(2.66%)
Net assets					
Invested in capital assets, net of accumulated depreciation and related debts			396,396	20,140	5.35%
Restricted for capital acquisitions			103,358	(11,153)	(9.74%)
Unrestricted			254,079	5,870	2.36%
			<u>\$ 753,833</u>	<u>\$ 14,857</u>	2.01%

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

### Governmental Activities

The General Fund is used 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 is used 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 Basis	Percentage of Total Revenues	Increase (Decrease) over 2010	Percentage Increase (Decrease)
Revenues				
District taxes	\$ 397,771	97.80%	\$ 8,704	2.24%
Interest income	230	0.06%	(94)	(29.01%)
Supplemental fire services grant	444	0.11%	-	0.00%
Miscellaneous income	8,236	2.03%	(17,082)	(67.47%)
	<u>\$ 406,681</u>	<u>100.00%</u>	<u>\$ (8,472)</u>	<u>(2.04%)</u>

The District revenues experienced a small decrease this year.

	2011 GAAP Basis	Percentage of Total Expenditures	Increase (Decrease) over 2010	Percentage Increase (Decrease)
Expenditures				
Elections	\$ 857	0.22%	\$ -	0.00%
Office expenses	1,356	0.35%	(1,868)	(57.94%)
Professional services	27,486	7.01%	3,609	15.11%
Advertising	2,023	0.52%	1,751	643.75%
Salary and wages	18,650	4.76%	-	0.00%
Fringe benefits	49,455	12.62%	(10)	(0.02%)
Training	10,658	2.72%	4,851	83.54%
Insurance	31,733	8.10%	(8,744)	(21.60%)
Dues and subscriptions	480	0.12%	(360)	(42.86%)
Maintenance and repairs	40,574	10.36%	(1,557)	(3.70%)
Rental charges	20,000	5.10%	-	0.00%
Non-bondable fire fighting equipment	31,657	8.08%	12,168	62.44%
Fuel purchase	11,399	2.91%	4,886	75.02%
Utilities	30,940	7.90%	(4,467)	(12.62%)
Bond interest	24,415	6.23%	(1,745)	(6.67%)
Bond note interest	2,850	0.72%	2,100	280.00%
Depreciation expense	87,291	22.28%	14,480	19.89%
	<u>\$ 391,824</u>	<u>100.00%</u>	<u>\$ 25,094</u>	<u>6.84%</u>

Some expenditures are contractual in nature and because of market fluctuations, they can vary from year to year depending on the circumstances. Overall, the District experienced an increase in total expenditures of approximately \$25,000 or 7%, due to the increase of newly purchased firefighting equipment and increase in depreciation expense.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The budget relied on the expectation of an increase in the district tax base. The district tax base decrease slightly, but the tax rate increased which produced an increase in tax revenue of \$8,704.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

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

	2010 GAAP Basis	Additions	Disposals	2011 GAAP Basis	Percentage Increase (Decrease)
Buildings	\$ 400,000	\$ -	\$ -	\$ 400,000	0.00%
Building improvements	35,376	13,746	-	49,122	38.86%
Fire trucks	1,150,483	-	-	1,150,483	0.00%
Other vehicles	58,028	-	-	58,028	0.00%
Equipment	169,738	-	-	169,738	0.00%
	<u>1,813,625</u>	<u>13,746</u>	<u>-</u>	<u>1,827,371</u>	0.76%
Accumulated depreciation	<u>737,141</u>	<u>87,291</u>	<u>-</u>	<u>824,432</u>	11.84%
Capital assets, net	<u>\$ 1,076,484</u>	<u>\$ (73,545)</u>	<u>\$ -</u>	<u>\$ 1,002,939</u>	(6.83%)

The District accounted for its purchase of a new security system in the current year.

**Debts**

At year end, the District had \$595,000 in district bonds and bond anticipation note versus \$685,000 last year. The decrease was due to pay down of debt during the year.

**Outstanding Debts at Year End  
Government Activities**

	12/31/11	12/31/10
Fire District Bonds	\$ 535,000	\$ 610,000
Bond Anticipation Note	60,000	75,000
Total Debts	<u>\$ 595,000</u>	<u>\$ 685,000</u>

More detailed information about the District's long-term liabilities is presented in Note 9 and 10 to the financial statements.

**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. Some of the significant capital asset items approved in this year's budget will be deferred to subsequent years.

**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's office at P. O. Box 1, Englishtown, New Jersey 07726.

  
 Thomas Frueh, Chairman  
 Board of Fire Commissioners



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New York, Pennsylvania, Maryland,  
Florida, and Colorado

## Independent Auditors' Report

Board of Fire Commissioners  
Borough of Englishtown Fire District No. 1  
Monmouth County, New Jersey

We have audited the accompanying financial statements of the Borough of Englishtown Fire District No. 1, Monmouth County, New Jersey as of and for the years ended December 31, 2011 and 2010. These 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 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 Borough of Englishtown 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 November 14, 2012 on our consideration of the Borough of Englishtown Fire District No. 1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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 require that the Management's Discussion and Analysis on page A1 through A4, and Comments and Recommendations, the Schedule of Findings and Recommendations and the Schedule of Prior Year Findings and Recommendations 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 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 Management's Discussion and Analysis 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 Balances - Budget and Actual, Schedule of Deferred Charges to Future Taxation, and Schedule of Improvement Authorizations 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 Balances - Budget to Actual, Schedule of Deferred Charges to Future Taxation, and Schedule of Improvement Authorizations 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".

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Ronald C. Petrics  
Registered Municipal Accountant (#474)

November 14, 2012



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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  
Borough of Englishtown Fire District No. 1  
Monmouth County, New Jersey

We have audited the financial statements of Borough of Englishtown 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 November 14, 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 Borough of Englishtown Fire District No. 1 is responsible for establishing and maintaining effective internal control. In planning and performing our audits, we considered Borough of Englishtown Fire District No. 1's internal control over financial reporting as a basis for designing our audit 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 Borough of Englishtown Fire District No. 1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Borough of Englishtown Fire District No. 1'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 significant deficiency, or combination of significant 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 the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Borough of Englishtown 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 audits 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 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 those specified parties.

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

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Ronald C. Petrics  
Registered Municipal Accountant (#474)

November 14, 2012

**Borough of Englishtown Fire District No. 1**  
**Monmouth County, New Jersey**  
**Statement of Net Assets and Governmental Funds Balance Sheet**  
**December 31, 2011**

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Assets</u>
<b>Assets</b>					
Cash	\$ 551,792	\$ -	\$ 551,792	\$ -	\$ 551,792
Prepaid expenses	4,389	-	4,389	-	4,389
Interfund receivable	-	220,276	220,276	(220,276)	-
Deferred charges to future taxation	-	598,386	598,386	(598,386)	-
Capital assets, net	-	-	-	1,002,939	1,002,939
Total assets	<u>\$ 556,181</u>	<u>\$ 818,662</u>	<u>\$ 1,374,843</u>	<u>\$ 184,277</u>	<u>\$ 1,559,120</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	\$ 34,937	\$ -	\$ 34,937	\$ -	\$ 34,937
Payroll tax liabilities	1,466	-	1,466	-	1,466
Accrued interest on bonds and notes	11,543	-	11,543	-	11,543
Accrued audit expenses	8,350	-	8,350	-	8,350
Fire district bonds payable - current	-	75,000	75,000	-	75,000
Bond anticipation note	-	60,000	60,000	-	60,000
Reserve for SFSG	645	-	645	-	645
Reserve for LOSAP	153,346	-	153,346	-	153,346
Interfund payable	220,276	-	220,276	(220,276)	-
Improvement authorizations	-	103,358	103,358	(103,358)	-
Total current liabilities	430,563	238,358	668,921	(323,634)	345,287
Other liabilities:					
Bonds payable - long term	-	460,000	460,000	-	460,000
Total liabilities	430,563	698,358	1,128,921	(323,634)	805,287
<b>Fund Balances and Net Assets</b>					
Fund balances:					
Reserved:					
Appropriation reserves	39,937	-	39,937	(39,937)	-
Unreserved:					
Designated for subsequent years' expenditures	53,878	65,000	118,878	(118,878)	-
Undesignated	31,803	55,304	87,107	(87,107)	-
Total fund balances	125,618	120,304	245,922	(245,922)	-
Total liabilities and fund balances	<u>\$ 556,181</u>	<u>\$ 818,662</u>	<u>\$ 1,374,843</u>		
Net assets:					
Invested in capital assets, net of accumulated depreciation and related debts				396,396	396,396
Restricted for capital acquisitions				103,358	103,358
Unrestricted				254,079	254,079
				<u>\$ 753,833</u>	<u>\$ 753,833</u>

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

**Borough of Englishtown Fire District No. 1**  
**Monmouth County, New Jersey**  
**Statement of Net Assets and Governmental Funds Balance Sheet**  
**December 31, 2010**

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Assets</u>
<b>Assets</b>					
Cash	\$ 365,550	\$ -	\$ 365,550	\$ -	\$ 365,550
Government receivable	121,583	-	121,583	-	121,583
Prepaid expenses	2,627	-	2,627	-	2,627
Interfund receivable	-	216,429	216,429	(216,429)	-
Deferred charges to future taxation	-	688,386	688,386	(688,386)	-
Capital assets, net	-	-	-	1,076,484	1,076,484
Total assets	<u>\$ 489,760</u>	<u>\$ 904,815</u>	<u>\$ 1,394,575</u>	<u>\$ 171,669</u>	<u>\$ 1,566,244</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	\$ 11,232	\$ -	\$ 11,232	\$ -	\$ 11,232
Payroll tax liabilities	1,657	-	1,657	-	1,657
Accrued interest on bonds and notes	15,228	-	15,228	-	15,228
Accrued audit expense	8,160	-	8,160	-	8,160
Bond payable - current	-	75,000	75,000	-	75,000
Bond anticipation note	-	75,000	75,000	-	75,000
Reserve for SFSG	645	-	645	-	645
Reserve for LOSAP	105,346	-	105,346	-	105,346
Interfund payable	216,429	-	216,429	(216,429)	-
Improvement authorizations	-	114,511	114,511	(114,511)	-
Total current liabilities	358,697	264,511	623,208	(330,940)	292,268
Other Liabilities					
Bond payable - long term	-	535,000	535,000	-	535,000
Total liabilities	358,697	799,511	1,158,208	(330,940)	827,268
<b>Fund Balances and Net Assets</b>					
Fund balances:					
Reserved:					
Appropriation reserves	85,431	-	85,431	(85,431)	-
Unreserved:					
Designated for subsequent years' expenditures	53,878	10,000	63,878	(63,878)	-
Undesignated	(8,246)	95,304	87,058	(87,058)	-
Total fund balances	<u>131,063</u>	<u>105,304</u>	<u>236,367</u>	<u>(236,367)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 489,760</u>	<u>\$ 904,815</u>	<u>\$ 1,394,575</u>		
Net assets:					
Invested in capital assets, net of accumulated depreciation and related debts				376,256	376,256
Restricted for capital acquisitions				114,511	114,511
Unrestricted				248,209	248,209
				<u>\$ 738,976</u>	<u>\$ 738,976</u>

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

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

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures:					
Operating appropriations	\$ 397,126	\$ -	\$ 397,126	\$ (5,302)	\$ 391,824
Reserve for future capital outlays	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>
Total expenditures	422,126	-	422,126	(30,302)	391,824
Revenues and other financing sources:					
Revenues:					
District taxes	397,771	-	397,771	-	397,771
Supplemental fire services grant	444	-	444	-	444
Interest income	230	-	230	-	230
Miscellaneous income	8,236	-	8,236	-	8,236
Fund balance utilized - restricted	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>
Total revenues	416,681	-	416,681	(10,000)	406,681
Transfers					
Capital fund balance utilized	-	(10,000)	(10,000)	10,000	-
Reserve for future capital outlays	<u>-</u>	<u>25,000</u>	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>
Total transfers	<u>-</u>	<u>15,000</u>	<u>15,000</u>	<u>(15,000)</u>	<u>-</u>
Total revenues and transfers	<u>416,681</u>	<u>15,000</u>	<u>431,681</u>	<u>(25,000)</u>	<u>406,681</u>
Excess (deficit) of revenues over expenditures	(5,445)	15,000	9,555	(9,555)	-
Change in net assets	-	-	-	14,857	14,857
Fund balances/net assets:					
Beginning of the year	<u>131,063</u>	<u>105,304</u>	<u>236,367</u>	<u>502,609</u>	<u>738,976</u>
End of year	<u>\$ 125,618</u>	<u>\$ 120,304</u>	<u>\$ 245,922</u>	<u>\$ 507,911</u>	<u>\$ 753,833</u>

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

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

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures:					
Operating appropriations	\$ 313,919	\$ -	\$ 313,919	\$ 52,811	\$ 366,730
Reserve for future capital outlays	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>
Total expenditures	338,919	-	338,919	27,811	366,730
Revenues and other financing sources:					
Revenues:					
District taxes	389,067	-	389,067	-	389,067
Supplemental fire services grant	444	-	444	-	444
Interest income	324	-	324	-	324
Miscellaneous income	<u>25,318</u>	<u>-</u>	<u>25,318</u>	<u>-</u>	<u>25,318</u>
Total revenues	415,153	-	415,153	-	415,153
Transfers:					
Reserve for future capital outlays	<u>-</u>	<u>25,000</u>	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>
Total revenues and transfers	<u>415,153</u>	<u>25,000</u>	<u>440,153</u>	<u>(25,000)</u>	<u>415,153</u>
Excess of revenues over expenditures	76,234	25,000	101,234	(101,234)	-
Change in net assets	-	-	-	48,423	48,423
Fund balances/net assets:					
Beginning of the year	<u>54,829</u>	<u>80,304</u>	<u>135,133</u>	<u>555,420</u>	<u>690,553</u>
End of year	<u>\$ 131,063</u>	<u>\$ 105,304</u>	<u>\$ 236,367</u>	<u>\$ 502,609</u>	<u>\$ 738,976</u>

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

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**1. Summary of Significant Accounting Policies**

The accounting policies of the Borough of Englishtown Fire District No. 1 (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 Borough of Englishtown 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 fiscal 2011 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. The financial resources are derived from the issuance of debt or by reservation of fund balance that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

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.

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The preparation of financial statements in conformity with generally accepted accounting principles 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. Budgetary transfers may be made during the last two months of the year.

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 and services.

The encumbered appropriation authority carries over into the following year. The balance of the 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 the unexpended 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.

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In the government-wide basis of accounting, fixed assets are accounted for as capital assets. The District generally capitalizes assets with a cost of \$5,000 or more as outlays occur. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable.

The cost of normal maintenance and repairs do not add value to the asset or materially extend the lives of assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

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 10-20 years for fire trucks, 5 years for other vehicles, 10 years for equipment, 20 years for building improvements, and 40 years for buildings.

**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 transactions 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 and related debts.
- b. Restricted for capital acquisitions – Current balance consists of net assets restricted for the expansion of the fire house, purchase of real property, fire truck, brush truck and equipment.
- c. Unrestricted net assets – All net assets that do not meet the definition of “restricted” or “invested in capital assets, net”.

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

**A. 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 \$1,002,939 and \$1,076,484, respectively, and invested in capital assets, net in the amount of \$407,939 and \$391,484, respectively, have been included in the government-wide presentation.

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**B. Interfund Receivable and Payable**

For the years ended December 31, 2011 and 2010 interfund receivables and payables in the amount of \$220,276 and \$216,429, respectively, have been eliminated in arriving at the government-wide presentation.

**C. Deferred Charges to Future Taxation**

For the years ended December 31, 2011 and 2010 deferred charges to future taxation in the amount of \$598,386 and \$688,386, respectively, have been eliminated in arriving at the government-wide presentation.

**D. 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 amounts of \$245,922 and \$236,367, respectively, have been eliminated. Unrestricted net assets in the amounts of \$242,536 and \$232,981, respectively, and net assets restricted for capital acquisitions in the amounts of \$103,358 and \$114,511, respectively, have been included in the government-wide presentation.

**E. 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 the years ended December 31, 2011 and 2010, improvement authorizations in the amounts of \$103,358 and \$114,511, respectively, 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 \$87,291 has been included in the government-wide presentation. Additionally, to account for fixed asset purchases expensed under the fund basis of accounting, maintenance and repairs have been decreased by \$2,593. In addition, principal payments on serial bonds and notes have been decreased by \$90,000. The net effect on operating appropriations is a decrease of \$5,302.

For the year ended December 31, 2010, depreciation expense in the amount of \$72,811 has been included in the government-wide presentation. Additionally, principal debts have been decreased by \$20,000. The net effect on operating appropriations is an increase of \$52,811.

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

For the years ended December 31, 2011 and 2010 reserve for future capital outlays and related transfer were reduced by \$25,000 each year, on the government-wide presentation to eliminate the general fund expenditure and capital fund revenue related to the creation of future improvement authorizations.

**C. Fund Balance Utilized - Restricted and Capital Fund Balance Utilized**

For the years ended December 31, 2011 and 2010 fund balance utilized - restricted and capital fund balance utilized were reduced by \$10,000 and \$0, respectively, on the government-wide presentation to eliminate the general fund revenue and capital fund expenditure related to budget anticipation and appropriation.

**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:

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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 including short term certificates of deposits.

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

	<u>2011</u>	<u>2010</u>
Brunswick – Checking	\$ 225,307	\$ 139,596
Brunswick – Savings	322,194	221,964
Sovereign – Savings	<u>4,291</u>	<u>3,990</u>
Total Cash	<u>\$ 551,792</u>	<u>\$ 365,550</u>

The carrying amount of the Board's cash at December 31, 2011 was \$551,792 and the bank balance was \$551,792. Of the balance, \$254,291 was covered by federal depository insurance and \$297,501 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	\$ 254,291
Category 2	Deposits which are collateralized with securities held by the pledging financial institution's trust department, or Agent in the District's name	297,501
Category 3	Deposits which are not collateralized or insured	-

**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.

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- (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.
- (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 2011, no such investments were held by the District.

**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 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 22.50% of all monies so assessed; on or before October 1, an amount equaling 25% of all monies so assessed; and on or before December 31, an amount equaling the difference between the total of all monies so assessed and the total amount of such monies 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 Borough of Englishtown 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

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ended December 31, 2011 and 2010, the fire tax rate on Fire District No. 1 was \$.158 and \$.150, respectively, per \$100 of assessed valuation.

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

The District also participates in the Supplemental Fire Services Program. For each of the years ended December 31, 2011 and 2010, the District received \$444.

**7. Length of Service Award Program (LOSAP)**

The Fire District offers its employees a Length of Service Award Program in accordance with Internal Revenue Code Section 457 which have been approved by the Director of the Division of Local Government Services. The Program permits the District to provide tax-deferred income benefits to active volunteer members of an emergency service organization. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the Program and all income attributed to those amounts are the exclusive property of the Fire District, subject to the claims of its general creditors. Participants' rights under the Program are equal to those of a general creditor of the Fire District in an amount equal to the fair market value of the deferred account for each participant. It is unlikely that the Fire District would use Program assets to satisfy claims of the general creditors in the future.

The District has selected The Variable Annuity Life Insurance Company (VALIC) to administer its LOSAP program. Contributions by the district to this program have been made each year since its inception. The amount of contributions for 2011 and 2010 was \$0 and \$64,582, respectively. Since this plan is administered by an outside insurance company, it was not made part of this audit. Details of this program can be obtained from Borough of Englishtown Fire District No. 1 upon request.

**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 December 31, 2010	2011 Additions	2011 Deletions	Balance As Of December 31, 2011
Buildings	\$ 400,000	\$ -	\$ -	\$ 400,000
Building improvements	35,376	13,746	-	49,122
Fire trucks	1,150,483	-	-	1,150,483
Other vehicles	58,028	-	-	58,028
Equipment	169,738	-	-	169,738
	<u>\$ 1,813,625</u>	<u>\$ 13,746</u>	<u>\$ -</u>	<u>\$ 1,827,371</u>
Accumulated depreciation	<u>\$ 737,141</u>	<u>\$ 87,291</u>	<u>\$ -</u>	<u>\$ 824,432</u>

Depreciation expense for the years ended December 31, 2011 and 2010 was \$87,291 and \$72,811, respectively.

**Borough of Englishtown Fire District No. 1**  
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**9. Long Term Debts**

The District's long-term debts consisted of the following at December 31, 2011:

Purpose	Date of Issue	Original Issue	Interest Rate	As of 12/31/11
Fire district bond - SCBA equipment	07/21/2009	\$ 80,000	4.000%	\$ 40,000
Fire district bond - pumper	01/20/2010	550,000	4.500%	<u>495,000</u>
				535,000
Less: current maturity				<u>75,000</u>
Fire district bond payable - long-term				<u>\$ 460,000</u>

Future debt service requirements for fire district bond are as follows:

Fiscal Year	Principal	Interest	Total
2012	\$ 75,000	\$ 22,637	\$ 97,637
2013	75,000	19,363	94,363
2014	55,000	16,087	71,087
2015	55,000	13,613	68,613
2016	55,000	11,138	66,138
2017 and after	<u>220,000</u>	<u>19,800</u>	<u>239,800</u>
Total	<u>\$ 535,000</u>	<u>\$ 102,638</u>	<u>\$ 637,638</u>

Interest expense for 2011 and 2010 amounted to \$24,415 and \$26,160, respectively.

**10. Bond Anticipation Note**

On October 8, 2010, the District issued a \$75,000 bond anticipation note bearing interest rate of 4.00%. The note matured on October 10, 2011, and \$15,000 of the note was paid off, while \$60,000 was rolled over. The \$60,000 bond anticipation note bearing interest rate of 4.00% was issued on October 7, 2011 and is to mature on October 5, 2012. The District is currently paying monthly interest and is in process of rolling over the note for another year. The interest expense for 2011 and 2010 amounted to \$2,850 and \$750, respectively. The note was issued for the repairs and improvements to fire house property and parking area.

**11. Litigation**

As of the date of this report there is no litigation pending which, if decided adversely to the District, would have a material impact on the District.

**12. Risk Assessment**

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.

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**13. Subsequent Events**

The District has evaluated subsequent events occurring after December 31, 2011 through the date of November 14, 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.

**Borough of Englishtown Fire District No. 1**  
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**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - All Governmental Fund Types**  
**Year Ended December 31, 2011**

	Governmental Fund Type		Total Actual Amounts			Budgeted Amounts		Budgetary Variance
	General Fund	Capital Fund	Budgetary Basis	Adjustments Note B	GAAP Basis	Original	Final	
<b>Revenues:</b>								
District taxes	\$ 397,771	\$ -	\$ 397,771	\$ -	\$ 397,771	\$ 397,771	\$ 397,771	\$ -
Supplemental fire services grant	444	-	444	-	444	414	414	30
Interest income	230	-	230	-	230	-	-	230
Miscellaneous income	8,236	-	8,236	-	8,236	-	-	8,236
Fund balance utilized - unrestricted	-	-	-	-	-	53,878	53,878	(53,878)
Fund balance utilized - restricted	10,000	-	10,000	(10,000)	-	10,000	10,000	-
Total revenues	416,681	-	416,681	(10,000)	406,681	462,063	462,063	(45,382)
<b>Transfers:</b>								
Capital fund balance utilized	-	(10,000)	(10,000)	10,000	-	-	-	(10,000)
Reserve for future capital outlays	-	25,000	25,000	(25,000)	-	-	-	25,000
Total transfers	-	15,000	15,000	(15,000)	-	-	-	15,000
Total revenues and transfers	416,681	15,000	431,681	(25,000)	406,681	462,063	462,063	(30,382)
<b>Expenditures:</b>								
Operating appropriations:								
Administration:								
Elections	857	-	857	-	857	1,500	1,500	643
Office expenses	1,356	-	1,356	-	1,356	2,500	2,500	1,144
Professional services	27,486	-	27,486	-	27,486	30,000	30,000	2,514
Advertising	2,023	-	2,023	-	2,023	1,700	1,700	(323)
Total administration	31,722	-	31,722	-	31,722	35,700	35,700	3,978
Operations and maintenance:								
Salary and wages:								
Commissioners	18,650	-	18,650	-	18,650	18,650	18,650	-
Total salary and wages	18,650	-	18,650	-	18,650	18,650	18,650	-
Fringe benefits:								
LOSAP	48,000	-	48,000	-	48,000	48,000	48,000	-
Fringe benefits	1,455	-	1,455	-	1,455	2,300	2,300	845
Total fringe benefits	49,455	-	49,455	-	49,455	50,300	50,300	845

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

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**Budget and Actual - All Governmental Fund Types**  
**Year Ended December 31, 2011**

	Governmental Fund Type		Total Actual Amounts			Budgeted Amounts		Budgetary Variance
	General Fund	Capital Fund	Budgetary Basis	Adjustments Note B	GAAP Basis	Original	Final	
Other expenses:								
Training	10,658	-	10,658	-	10,658	15,000	15,000	4,342
Insurance	31,733	-	31,733	-	31,733	52,000	52,000	20,267
Dues and subscriptions	480	-	480	-	480	1,500	1,500	1,020
Maintenance and repairs	43,167	-	43,167	(2,593) <sup>(1)</sup>	40,574	48,000	48,000	4,833
Rental charges	20,000	-	20,000	-	20,000	20,000	20,000	-
Non-bondable - fire fighting equipment	31,657	-	31,657	-	31,657	30,000	30,000	(1,657)
Fuel purchase	11,399	-	11,399	-	11,399	12,000	12,000	601
Utilities	30,940	-	30,940	-	30,940	35,000	35,000	4,060
Bond principal	75,000	-	75,000	(75,000) <sup>(1)</sup>	-	75,000	75,000	-
Bond interest	24,415	-	24,415	-	24,415	25,913	25,913	1,498
Bond note principal	15,000	-	15,000	(15,000) <sup>(1)</sup>	-	15,000	15,000	-
Bond note interest	2,850	-	2,850	-	2,850	3,000	3,000	150
Depreciation expense	-	-	-	87,291 <sup>(1)</sup>	87,291	-	-	-
Total other expenses	<u>297,299</u>	<u>-</u>	<u>297,299</u>	<u>(5,302)</u>	<u>291,997</u>	<u>332,413</u>	<u>332,413</u>	<u>35,114</u>
Total operations and maintenance	<u>365,404</u>	<u>-</u>	<u>365,404</u>	<u>(5,302)</u>	<u>360,102</u>	<u>401,363</u>	<u>401,363</u>	<u>35,959</u>
Total operating appropriations	<u>397,126</u>	<u>-</u>	<u>397,126</u>	<u>(5,302)</u>	<u>391,824</u>	<u>437,063</u>	<u>437,063</u>	<u>39,937</u>
Capital appropriations:								
Reserve for future capital outlays	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Total capital appropriations	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Total expenditures	<u>422,126</u>	<u>-</u>	<u>422,126</u>	<u>(30,302)</u>	<u>391,824</u>	<u>462,063</u>	<u>462,063</u>	<u>39,937</u>
Excess (deficit) of revenues over expenditures	(5,445)	15,000	9,555	(9,555)	-	\$ -	\$ -	\$ 9,555
Change in net assets	-	-	-	14,857	14,857			
Fund balances, beginning of the year	<u>131,063</u>	<u>105,304</u>	<u>236,367</u>	<u>502,609</u> <sup>(2)</sup>	<u>738,976</u>			
Fund balances, end of year	<u>\$ 125,618</u>	<u>\$ 120,304</u>	<u>\$ 245,922</u>	<u>\$ 507,911</u>	<u>\$ 753,833</u>			

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

**Borough of Englishtown Fire District No. 1**  
**Monmouth County, New Jersey**  
**Notes to Supplementary Information**  
**Year Ended December 31, 2011**

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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) Equipment purchases are reported as expenses in the year the orders are placed for budgetary purposes. For GAAP purposes, the equipment purchases are capitalized in the current year received.	\$ 2,593
Principal debt payments are reported as budgetary expenditures in the year payment is made. For GAAP purposes debt payments are not expenses, but are applied toward the reduction of debt.	90,000
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>(87,291)</u>
Net increase in fund balance - budget to GAAP	5,302
(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>502,609</u>
	<u>\$ 507,911</u>

**Borough of Englishtown Fire District No. 1**  
**Monmouth County, New Jersey**  
**Notes to Supplementary Information**  
**Year Ended December 31, 2011**

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**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:

Adopted Budget	\$	462,063
Expenditures		<u>422,126</u>
Favorable Variance		39,937
Canceled		-
Fund Balance Reserve	\$	<u><u>39,937</u></u>

**Borough of Englishtown Fire District No. 1**  
**Monmouth County, New Jersey**  
**Schedule of Improvement Authorizations - Capital Fund**  
**Year Ended December 31, 2011**

Purpose	Authorized Appropriation		Balance	2011	2011	Balance
	Date	Amount	December 31, 2010	Authorization	Paid	December 31, 2011
Purchase of heavy rescue fire engine and utility vehicle	2001	\$ 150,000	\$ 365	\$ -	\$ -	\$ 365
Self contained breathing apparatus	2006	175,000	5,262	-	-	5,262
Self contained breathing apparatus compressor system	2006	45,000	45,000	-	-	45,000
Paving of the parking lot, repairs to overhead doors	2008	75,000	49,565	-	6,416	43,149
Security system	2009	14,000	4,059	-	4,059	-
Class A pumper	2008	550,000	10,260	-	678	9,582
Total		<u>\$ 1,009,000</u>	<u>\$ 114,511</u>	<u>\$ -</u>	<u>\$ 11,153</u>	<u>\$ 103,358</u>
	Funded		\$ 64,946			\$ 60,209
	Unfunded		<u>49,565</u>			<u>43,149</u>
			<u>\$ 114,511</u>			<u>\$ 103,358</u>

See Independent Auditors' Report.

**Borough of Englishtown Fire District No. 1**  
**Monmouth County, New Jersey**  
**Schedule of Improvement Authorizations - Capital Fund**  
**Year Ended December 31, 2010**

Purpose	Authorized Appropriation		Balance	2010	2010	Balance
	Date	Amount	December 31, 2009	Authorization	Paid	December 31, 2010
Purchase of heavy rescue fire engine and utility vehicle	2001	\$ 150,000	\$ 365	\$ -	\$ -	\$ 365
Self contained breathing apparatus	2006	175,000	5,262	-	-	5,262
Self contained breathing apparatus compressor system	2006	45,000	45,000	-	-	45,000
Paving of the parking lot, repairs to overhead doors	2008	75,000	49,565	-	-	49,565
Security system	2009	14,000	4,059	-	-	4,059
Class A pumper	2008	550,000	-	550,000	539,740	10,260
<b>Total</b>		<u>\$ 1,009,000</u>	<u>\$ 104,251</u>	<u>\$ 550,000</u>	<u>\$ 539,740</u>	<u>\$ 114,511</u>
			Funded	\$ 54,686		\$ 64,946
			Unfunded	49,565		49,565
				<u>\$ 104,251</u>		<u>\$ 114,511</u>

See Independent Auditors' Report.

**Borough of Englishtown Fire District No. 1**  
**Monmouth County, New Jersey**  
**Schedule of Deferred Charges to Future Taxation**  
**Year Ended December 31, 2011**

Purpose	Balance December 31, 2010	2011 Additions	2011 Budget Appropriation	Balance December 31, 2011
Funded:				
Fire district bond - SCBA	\$ 60,000	\$ -	\$ 20,000	\$ 40,000
Fire district bond - pumper	<u>550,000</u>	<u>-</u>	<u>55,000</u>	<u>495,000</u>
Total funded	610,000	-	75,000	535,000
Unfunded:				
SCBA - BAN	3,386	-	-	3,386
Building improvements	<u>75,000</u>	<u>-</u>	<u>15,000</u>	<u>60,000</u>
Total unfunded	<u>78,386</u>	<u>-</u>	<u>15,000</u>	<u>63,386</u>
Total	<u>\$ 688,386</u>	<u>\$ -</u>	<u>\$ 90,000</u>	<u>\$ 598,386</u>

**Borough of Englishtown Fire District No. 1**  
**Monmouth County, New Jersey**  
**Schedule of Deferred Charges to Future Taxation**  
**Year Ended December 31, 2010**

Purpose	Balance December 31, 2009	2010 Additions	2010 Budget Appropriation	Balance December 31, 2010
Funded:				
Serial bonds - firehouse	\$ 80,000	\$ -	\$ 20,000	\$ 60,000
Fire district bond - SCBA	<u>-</u>	<u>550,000</u>	<u>-</u>	<u>550,000</u>
Total funded	80,000	550,000	20,000	610,000
Unfunded:				
SCBA - BAN	3,386	-	-	3,386
Building improvements	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>75,000</u>
Total unfunded	<u>78,386</u>	<u>-</u>	<u>-</u>	<u>78,386</u>
Total	<u>\$ 158,386</u>	<u>\$ 550,000</u>	<u>\$ 20,000</u>	<u>\$ 688,386</u>

**Borough of Englishtown Fire District No. 1**  
**Monmouth County, New Jersey**  
**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 valuation for the current and preceding six years:

<u>Fiscal Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2011	\$ 252,343,900	\$ 397,771	\$ 0.158
2010	259,713,563	389,067	0.150
2009	261,214,259	373,091	0.143
2008	259,882,117	358,300	0.138
2007	101,845,431	383,000	0.377
2006	97,273,374	345,000	0.355
2005	95,237,609	337,000	0.354

**Unreserved Fund Balance – General Fund**

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
December 31, 2011	\$ 85,681	\$ 53,878
December 31, 2010	45,632	53,878
December 31, 2009	36,175	34,638
December 31, 2008	48,930	48,654
December 31, 2007	88,581	55,904
December 31, 2006	103,336	43,163

**Unreserved Fund Balance – Designated – Capital Fund**

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
December 31, 2011	\$ 120,304	\$ 65,000
December 31, 2010	105,304	10,000
December 31, 2009	80,304	-
December 31, 2008	40,304	-
December 31, 2007	40,304	-
December 31, 2006	40,304	-

**Borough of Englishtown Fire District No. 1**  
**Monmouth County, New Jersey**  
**Roster of Officials**  
**Years Ended December 31, 2011 and 2010**

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<u>Board of Commissioners</u>	<u>Position</u>	<u>Amount of Surety Bond</u>
Thomas Frueh	Chairman	\$ 225,000 *
Peter Cooke	Vice Chairman	225,000 *
Thomas Kirkland	Secretary	225,000 *
Gerald Maresca	Treasurer	225,000 *
Matthew Galasso	Assistant Secretary	225,000 *

Other Officials

Joseph D. Youssouf Board Attorney

\* Blanket Bond Coverage

Surety Company

VFIS

**Borough of Englishtown Fire District No. 1  
Monmouth County, New Jersey  
Comments and Recommendations  
Year Ended December 31, 2011**

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**Scope of Examination and Conditions of Records**

Our examination covered the funds of the Board of Fire Commissioners, Borough Of Englishtown Fire District No. 1 handled by the Treasurer.

The financial records were adequately maintained in good condition.

Minutes of Board meetings were properly maintained by the Recording Secretary.

**Cash in Banks**

The balances in banks at December 31, 2011 were reconciled with statements issued by the depositories.

**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 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 Borough Of Englishtown 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 payment, contract or agreement was 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 advertising for bids in accordance with provisions of N.J.S.A. 40A:11-21.

**Miscellaneous**

An exit conference was held in accordance with the generally accepted governmental 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.

**Recommendations**

None

See Independent Auditors' Report.

**Borough of Englishtown Fire District No. 1**  
**Monmouth County, New Jersey**  
**Comments and Recommendations**  
**Year Ended December 31, 2011**

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**Prior Year Comments**

See schedule of prior year 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, PC

**Borough of Englishtown Fire District No. 1**  
**Monmouth County, New Jersey**  
**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 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

**Borough of Englishtown Fire District No. 1**  
**Monmouth County, New Jersey**  
**Schedule of Prior Year Findings and Recommendations**  
**Years Ended December 31, 2011 and 2010**

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**Schedule of Prior Year 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.

**Other Matters**

Finding #2010-01

During the conduct of our audit we concluded that the District's books and records were not adequately maintained and kept on a timely basis. We consider this to be a significant deficiency in the District's controls.

Status:

This issue was corrected.