

BOROUGH OF ENGLISHTOWN FIRE DISTRICT NO. 1
Monmouth County, New Jersey
Financial Statements
December 31, 2018 and 2017
With Independent Auditor's Report

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
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December 31, 2018 and 2017

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BOROUGH OF ENGLISHTOWN FIRE DISTRICT NO. 1

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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 years ended December 31, 2018 and 2017.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statements of Net Position and Governmental Funds Balance Sheets and the Statements of Revenues, Expenses, and Changes in Governmental Fund Balances and Net Position 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 Statements of Net Position and Governmental Funds Balance Sheets and the Statements of Revenues, Expenses, and Changes in Governmental Fund Balances and Net Position

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 Statements of Net Position and Governmental Funds Balance Sheets and the Statements of Revenues, Expenses, and Changes in Governmental Fund Balances and Net Position 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 position 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 position 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 that was regularly inspected by the chief to assess the overall health of the District.

BOROUGH OF ENGLISHTOWN FIRE DISTRICT NO. 1

Management's Discussion and Analysis

In the Statements of Net Position and Governmental Funds Balance Sheets and the Statements of Revenues, Expenses, and Changes in Governmental Fund Balances and Net Position, 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 Statements of Net Position and Governmental Funds Balance Sheets and the Statements of Revenues, Expenses, and Changes in Governmental Fund Balances and Net Position) and capital funds in reconciliation at the bottom of the fund financial statements.
- Capital funds – Are funds available to be used for the acquisition or construction of major capital facilities and firefighting equipment. The financial resources are derived from the issuance of debt or by reservation of fund balance that are specifically authorized by the voters. The capital fund statements provide details of funds available for future capital projects, funds needed to be raised in future taxation, and outstanding debt.

The District as a Board

Reporting on the District's Fiduciary Responsibilities

The District is a board of commissioners that is charged with 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.

BOROUGH OF ENGLISHTOWN FIRE DISTRICT NO. 1

Management's Discussion and Analysis

THE DISTRICT AS A WHOLE

For the years ended December 31, 2018 and 2017, net position changed as follows:

	<u>2018 GAAP Basis</u>			<u>Increase (Decrease) Over 2017</u>	<u>Percentage Increase (Decrease)</u>
	<u>General Fund Activities</u>	<u>Capital Fund Activities</u>	<u>Total</u>		
Assets					
Current and other assets	\$ 978,212	\$ --	\$ 978,212	\$ (26,864)	-2.67%
Capital assets	--	788,531	788,531	(87,696)	-10.01%
Total assets	<u>\$ 978,212</u>	<u>\$ 788,531</u>	<u>\$ 1,766,743</u>	<u>\$ (114,560)</u>	-6.09%
Total liabilities	\$ 749,525	\$ 287,364	\$ 1,036,889	\$ (109,652)	-9.56%
Net position					
Net investment in capital assets			501,167	42,045	9.16%
Restricted for capital acquisitions			105,777	(20,000)	-15.90%
Unrestricted			122,910	(26,953)	-17.99%
Total net position			<u>729,854</u>	<u>(4,908)</u>	-0.67%
Total liabilities and net position			<u>\$ 1,766,743</u>	<u>\$ (114,560)</u>	-6.09%

In 2018, the District's net position decreased by approximately \$5,000 or 1%. The decrease was due to the fact that the District had approximately \$515,000 in revenues versus expenditures of approximately \$520,000.

	<u>2017 GAAP Basis</u>			<u>Increase (Decrease) Over 2016 (Restated)</u>	<u>Percentage Increase (Decrease) (Restated)</u>
	<u>General Fund Activities (Restated)</u>	<u>Capital Fund Activities (Restated)</u>	<u>Total (Restated)</u>		
Assets					
Current and other assets	\$ 1,005,076	\$ --	\$ 1,005,076	\$ 76,261	8.21%
Capital assets	--	876,227	876,227	136,493	18.45%
Total assets	<u>\$ 1,005,076</u>	<u>\$ 876,227</u>	<u>\$ 1,881,303</u>	<u>\$ 212,754</u>	12.75%
Total liabilities	\$ 729,436	\$ 417,105	\$ 1,146,541	\$ 209,838	22.40%
Net position					
Net investment in capital assets			459,122	5,163	1.14%
Restricted for capital acquisitions			125,777	(19,862)	-13.64%
Unrestricted			149,863	17,615	13.32%
Total net position			<u>734,762</u>	<u>2,916</u>	0.40%
Total liabilities and net position			<u>\$ 1,881,303</u>	<u>\$ 212,754</u>	12.75%

In 2017, the District's increase in net position signifies an improved financial condition.

Governmental Activities

The General Fund is mainly to provide fire protection to its residents, to 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.

BOROUGH OF ENGLISHTOWN FIRE DISTRICT NO. 1

Management's Discussion and Analysis

THE DISTRICT'S FUNDS

The following schedule presents a summary of revenue and expenditures of general and capital fund for the fiscal years ended December 31, 2018 and 2017 and the amount and percentage of increases and decreases in relation to the prior years.

	2018 GAAP Basis	Percentage of Total Revenues	Increase (Decrease) Over 2017	Percentage Increase (Decrease)
Revenues				
District taxes	\$ 484,000	94.00%	\$ 11,075	2.34%
Supplemental fire services grant	444	0.09%	--	0.00%
Interest income	202	0.04%	(21)	-9.42%
Uniform fire safety act revenues	14,577	2.83%	1,943	15.38%
Loss on sale of asset	(376)	(0.07%)	(376)	-100.00%
Miscellaneous income	16,055	3.11%	15,462	2607.42%
	<u>\$ 514,902</u>	<u>100.00%</u>	<u>\$ 28,083</u>	<u>5.77%</u>

For the year ended December 31, 2018, the District experienced an increase in total revenues of approximately \$28,000 or 6%. The increase is mainly from the increase of district taxes revenue and the increase of miscellaneous income.

	2017 GAAP Basis	Percentage of Total Revenues	Increase (Decrease) Over 2016	Percentage Increase (Decrease)
Revenues				
District taxes	\$ 472,925	97.15%	\$ 3,925	0.84%
Supplemental fire services grant	444	0.09%	--	0.00%
Interest income	223	0.05%	(20)	-8.23%
Uniform fire safety act revenues	12,634	2.60%	3,777	42.64%
Miscellaneous income	593	0.11%	572	2723.81%
	<u>\$ 486,819</u>	<u>100.00%</u>	<u>\$ 8,254</u>	<u>1.72%</u>

For the year ended December 31, 2017, the District experienced an increase in total revenue of approximately \$8,000 or 2%. The increase is from the increase of district taxes revenue as it relates to the increase in assessed valuation from \$241 million to \$243 million at district property tax rate \$0.195 per \$100 of assessed valuation.

BOROUGH OF ENGLISHTOWN FIRE DISTRICT NO. 1
Management's Discussion and Analysis

	2018 GAAP Basis	Percentage of Total Expenditures	Increase (Decrease) Over 2017	Percentage Increase (Decrease)
Expenditures				
Elections	\$ 943	0.18%	\$ (60)	-5.98%
Office expenses	2,951	0.57%	1,631	123.56%
Professional services	42,796	8.23%	1,836	4.48%
Advertising	285	0.05%	214	301.41%
Salary and wages	23,358	4.49%	(292)	-1.23%
Fringe benefits	50,298	9.68%	115	0.23%
Training	10,396	2.00%	1,031	11.01%
Uniform fire safety act expenses	30,328	5.83%	6,237	25.89%
Insurance	76,500	14.72%	1,974	2.65%
Dues and subscriptions	3,753	0.72%	(142)	-3.65%
Maintenance and repairs	60,605	11.66%	12,914	27.08%
Rental charges	26,000	5.00%	--	0.00%
Non-bondable fire fighting equipment	18,203	3.50%	(13,386)	-42.38%
Fuel purchase	9,163	1.78%	2,442	36.33%
Utilities	38,401	7.39%	(766)	-1.96%
Bond interest	5,068	0.97%	(2,720)	-34.93%
Bond note interest	637	0.12%	(1,296)	-67.05%
Capital lease interest	7,742	1.49%	7,742	100.00%
Depreciation expense	112,383	21.62%	18,433	19.62%
	<u>\$ 519,810</u>	<u>100.00%</u>	<u>\$ 35,907</u>	<u>7.42%</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 \$36,000 or 7%, mainly from the increase in depreciation expense.

BOROUGH OF ENGLISHTOWN FIRE DISTRICT NO. 1

Management's Discussion and Analysis

	<u>2017 GAAP Basis</u>	<u>Percentage of Total Expenditures</u>	<u>Increase (Decrease) Over 2016</u>	<u>Percentage Increase (Decrease)</u>
Expenditures				
Elections	\$ 1,003	0.21%	\$ 75	8.08%
Office expenses	1,320	0.27%	(1,277)	-49.17%
Professional services	40,960	8.46%	7,091	20.94%
Advertising	71	0.01%	(403)	-85.02%
Salary and wages	23,650	4.89%	(11,150)	-32.04%
Fringe benefits	50,183	10.37%	(135)	-0.27%
Training	9,365	1.94%	(3,416)	-26.73%
Uniform fire safety act expenses	24,091	4.98%	9,246	62.28%
Insurance	74,526	15.40%	1,085	1.48%
Dues and subscriptions	3,895	0.80%	1,393	55.68%
Maintenance and repairs	47,691	9.86%	(871)	-1.79%
Rental charges	26,000	5.37%	1,875	7.77%
Non-bondable fire fighting equipment	31,589	6.53%	3,184	11.21%
Fuel purchase	6,721	1.39%	760	12.75%
Utilities	39,167	8.09%	1,565	4.16%
Bond interest	7,788	1.61%	(2,580)	-24.88%
Bond note interest	1,933	0.40%	(467)	-19.46%
Depreciation expense	93,950	19.42%	1,320	1.43%
	<u>\$ 483,903</u>	<u>100.00%</u>	<u>\$ 7,295</u>	<u>1.53%</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 \$7,000 or 2%, due mainly to an increase of uniform fire safety act expenses.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board has not revised the General fund budget. This budget amendment was a transfer within appropriations as a precaution to avoid over expending a line item.

The budget relied on the expectation of an increase in the district taxes. For 2018, the District tax revenue increased approximately \$11,000 due to the increase of both the district tax base and tax rate. For 2017, the district tax base increased while tax rate remained constant, which produced an increase in tax revenue of approximately \$4,000.

BOROUGH OF ENGLISHTOWN FIRE DISTRICT NO. 1

Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

For the years ended December 31, 2018 and 2017, capital assets changed as follows:

	2017 GAAP Basis	Additions	Transfers/ Deletions	2018 GAAP Basis	Percentage Increase (Decrease)
Buildings	\$ 400,000	\$ --	\$ --	\$ 400,000	0.00%
Building improvements	87,821	--	--	87,821	0.00%
Fire trucks	1,150,483	--	(105,000)	1,045,483	-9.13%
Other vehicles	166,180	43,063	--	209,243	25.91%
Equipment	416,756	--	--	416,756	0.00%
	<u>2,221,240</u>	<u>43,063</u>	<u>(105,000)</u>	<u>2,159,303</u>	<u>-2.79%</u>
Accumulated depreciation	1,345,013	112,383	(86,624)	1,370,772	1.92%
Capital assets, net	<u>\$ 876,227</u>	<u>\$ (69,320)</u>	<u>\$ (18,376)</u>	<u>\$ 788,531</u>	<u>-10.01%</u>

The District accounted for its purchase and deletion of vehicles in the current year.

	2016 GAAP Basis	Additions	Transfers/ Deletions	2017 GAAP Basis	Percentage Increase (Decrease)
Buildings	\$ 400,000	\$ --	\$ --	\$ 400,000	0.00%
Building improvements	65,484	22,337	--	87,821	34.11%
Fire trucks	1,150,483	--	--	1,150,483	0.00%
Other vehicles	166,180	--	--	166,180	0.00%
Equipment	208,650	208,106	--	416,756	99.74%
	<u>1,990,797</u>	<u>230,443</u>	<u>--</u>	<u>2,221,240</u>	<u>11.58%</u>
Accumulated depreciation	1,251,063	93,950	--	1,345,013	7.51%
Capital assets, net	<u>\$ 739,734</u>	<u>\$ 136,493</u>	<u>\$ --</u>	<u>\$ 876,227</u>	<u>18.45%</u>

The District accounted for its purchase of firefighting equipment, building improvement, and portable and mobile radio equipment through capital lease financing in the prior year.

Debts

At December 31, 2018, the District had \$285,077 in district bonds, capital lease payable, and bond anticipation note versus \$410,581 last year, a decrease of 31%.

BOROUGH OF ENGLISHTOWN FIRE DISTRICT NO. 1
Management's Discussion and Analysis

Outstanding Debts at Year End
Government Activities

	12/31/18	12/31/17
Fire District Bond	\$ 110,000	\$ 165,000
Capital Lease Payable	175,077	200,581
Bond Anticipation Note	--	45,000
Total Debts	\$ 285,077	\$ 410,581

More detailed information about the District's long-term liabilities is presented in Notes 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.

INDEPENDENT AUDITOR'S REPORT

To the Board of Fire Commissioners,
Borough of Englishtown 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 Borough of Englishtown Fire District No. 1, Monmouth County, New Jersey as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise Borough of Englishtown Fire District No. 1's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Borough of Englishtown 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 as applied to governmental units and the standards applicable to special districts which have been prescribed by the Division of Local Government Services Department of Community Affairs, State of New Jersey; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 audits 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.

Opinions

In our opinions, 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 Borough of Englishtown Fire District No. 1, Monmouth County, New Jersey as of December 31, 2018 and 2017, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15, the financial statements for the year ended December 31, 2017 have been restated. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

The accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages A1 through A8, and Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual and related notes on page 26 to 30 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 Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Borough of Englishtown Fire District No. 1's basic financial statements. The accompanying financial information listed as Other Schedules, as listed in the table of contents, is presented for purposes of additional analysis and is not a 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 2018 and 2017 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 Other Schedules 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 audits 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 December 3, 2019 on our consideration of 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, grant agreements and other matters. The purpose of that report is solely 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 District's 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 Borough of Englishtown Fire District No. 1's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive, flowing style.

December 3, 2019

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Fire Commissioners,
Borough of Englishtown 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 Borough of Englishtown Fire District No. 1, Monmouth County, New Jersey, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Borough of Englishtown Fire District No. 1's basic financial statements, and have issued our report thereon dated December 3, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Borough of Englishtown Fire District No. 1's internal control over financial reporting 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 Borough of Englishtown Fire District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of Borough of Englishtown 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 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* or audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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 blue ink that reads "Withum Smith + Brown, PC".

December 3, 2019

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2018

	General Fund	Capital Fund	Total	Adjustments (Note 2)	Statement of Net Position
Assets					
Cash	\$ 565,844	\$ --	\$ 565,844	\$ --	\$ 565,844
Prepaid expenses	717	--	717	--	717
Interfund receivable	--	105,777	105,777	(105,777)	--
Investment in LOSAP	--	--	--	411,651	411,651
Deferred charges to future taxation	--	288,463	288,463	(288,463)	--
Capital assets, net	--	--	--	788,531	788,531
Total assets	<u>\$ 566,561</u>	<u>\$ 394,240</u>	<u>\$ 960,801</u>	<u>\$ 805,942</u>	<u>\$ 1,766,743</u>
Liabilities					
Current liabilities					
Accounts payable	\$ 24,352	\$ --	\$ 24,352	\$ --	\$ 24,352
Payroll tax liabilities	342	--	342	--	342
Accrued interest on bonds and notes	2,287	--	2,287	--	2,287
Reserve for supplemental fire service grant	645	--	645	--	645
Reserve for LOSAP	147,481	--	147,481	--	147,481
Net assets available for LOSAP	--	--	--	411,651	411,651
Reserve for fire official trust	86,512	--	86,512	78,542	165,054
Interfund payable	105,777	--	105,777	(105,777)	--
Improvement authorizations	--	83,456	83,456	(83,456)	--
Fire district bonds payable - current	--	55,000	55,000	--	55,000
Capital lease payable - current	--	26,488	26,488	--	26,488
Total current liabilities	<u>367,396</u>	<u>164,944</u>	<u>532,340</u>	<u>300,960</u>	<u>833,300</u>
Other liabilities					
Fire district bonds payable - long-term	--	55,000	55,000	--	55,000
Capital lease payable - long-term	--	148,589	148,589	--	148,589
Total other liabilities	<u>--</u>	<u>203,589</u>	<u>203,589</u>	<u>--</u>	<u>203,589</u>
Total liabilities	<u>367,396</u>	<u>368,533</u>	<u>735,929</u>	<u>300,960</u>	<u>1,036,889</u>
Fund Balances and Net Position					
Fund balances					
Committed					
Capital improvements	--	25,707	25,707	(25,707)	--
Assigned					
Appropriation reserves	66,069	--	66,069	(66,069)	--
Designated for subsequent years' expenditures	80,656	--	80,656	(80,656)	--
Unassigned					
General fund	52,440	--	52,440	(52,440)	--
Total fund balances	<u>199,165</u>	<u>25,707</u>	<u>224,872</u>	<u>(224,872)</u>	<u>--</u>
Total liabilities and fund balances	<u>\$ 566,561</u>	<u>\$ 394,240</u>	<u>\$ 960,801</u>		
Net position					
Net investment in capital assets				503,454	503,454
Restricted for capital acquisitions				105,777	105,777
Unrestricted				120,623	120,623
Total net position				<u>729,854</u>	<u>729,854</u>
Total liabilities and net position				<u>\$ 805,942</u>	<u>\$ 1,766,743</u>

The 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 Position and Governmental Funds Balance Sheet
December 31, 2017

	General Fund	Capital Fund	Total	Adjustments (Note 2) (Restated)	Statement of Net Position (Restated)
Assets					
Cash	\$ 597,505	\$ --	\$ 597,505	\$ --	\$ 597,505
Prepaid expenses	730	--	730	--	730
Interfund receivable	--	125,777	125,777	(125,777)	--
Investment in LOSAP	--	--	--	406,841	406,841
Deferred charges to future taxation	--	413,967	413,967	(413,967)	--
Capital assets, net	--	--	--	876,227	876,227
Total assets	<u>\$ 598,235</u>	<u>\$ 539,744</u>	<u>\$ 1,137,979</u>	<u>\$ 743,324</u>	<u>\$ 1,881,303</u>
Liabilities					
Current liabilities					
Accounts payable	\$ 40,583	\$ --	\$ 40,583	\$ --	\$ 40,583
Payroll tax liabilities	361	--	361	--	361
Accrued interest on bonds and notes	6,524	--	6,524	--	6,524
Reserve for supplemental fire service grant	645	--	645	--	645
Reserve for LOSAP	126,825	--	126,825	--	126,825
Net assets available for LOSAP	--	--	--	406,841	406,841
Reserve for fire official trust	118,702	--	118,702	35,479	154,181
Reserve for debt service	--	25,000	25,000	(25,000)	--
Interfund payable	125,777	--	125,777	(125,777)	--
Improvement authorizations	--	83,456	83,456	(83,456)	--
Fire district bonds payable - current	--	55,000	55,000	--	55,000
Capital lease payable - current	--	25,504	25,504	--	25,504
Bond anticipation note	--	45,000	45,000	--	45,000
Total current liabilities	419,417	233,960	653,377	208,087	861,464
Other liabilities					
Fire district bonds payable - long-term	--	110,000	110,000	--	110,000
Capital lease payable - long-term	--	175,077	175,077	--	175,077
Total other liabilities	--	285,077	285,077	--	285,077
Total liabilities	419,417	519,037	938,454	208,087	1,146,541
Fund Balances and Net Position					
Fund balances					
Committed					
Capital improvements	--	20,707	20,707	(20,707)	--
Assigned					
Appropriation reserves	84,310	--	84,310	(84,310)	--
Designated for subsequent years' expenditures	70,556	--	70,556	(70,556)	--
Unassigned					
General fund	23,952	--	23,952	(23,952)	--
Total fund balances	178,818	20,707	199,525	(199,525)	--
Total liabilities and fund balances	<u>\$ 598,235</u>	<u>\$ 539,744</u>	<u>\$ 1,137,979</u>		
Net position					
Net investment in capital assets				465,646	465,646
Restricted for capital acquisitions				125,777	125,777
Unrestricted				143,339	143,339
Total net position				<u>734,762</u>	<u>734,762</u>
Total liabilities and net position				<u>\$ 743,324</u>	<u>\$ 1,881,303</u>

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

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Statement of Revenues, Expenses, and Changes in Governmental
Fund Balances and Net Position
Year Ended December 31, 2018

	General Fund	Capital Fund	Total	Adjustments (Note 3)	Statement of Activities
Expenditures					
Operating appropriations	\$ 507,931	\$ --	\$ 507,931	\$ 11,879	\$ 519,810
Reserve for future capital outlays	5,000	--	5,000	(5,000)	--
Total expenditures	<u>512,931</u>	<u>--</u>	<u>512,931</u>	<u>6,879</u>	<u>519,810</u>
Revenues and other financing sources					
Revenues					
District taxes	484,000	--	484,000	--	484,000
Supplemental fire services grant	444	--	444	--	444
Interest income	202	--	202	--	202
Uniform fire safety act revenues	14,577	--	14,577	--	14,577
Miscellaneous income	16,055	--	16,055	--	16,055
Sale of asset	18,000	--	18,000	(18,376)	(376)
Total revenues	<u>533,278</u>	<u>--</u>	<u>533,278</u>	<u>(18,376)</u>	<u>514,902</u>
Transfers					
Reserve for future capital outlays	--	5,000	5,000	(5,000)	--
Total transfers	<u>--</u>	<u>5,000</u>	<u>5,000</u>	<u>(5,000)</u>	<u>--</u>
Total revenues and transfers	<u>533,278</u>	<u>5,000</u>	<u>538,278</u>	<u>(23,376)</u>	<u>514,902</u>
Excess of revenues and transfers					
over expenditures	20,347	5,000	25,347	(25,347)	--
Changes in net position	--	--	--	(4,908)	(4,908)
Fund balances / net position					
Beginning of the year	<u>178,818</u>	<u>20,707</u>	<u>199,525</u>	<u>535,237</u>	<u>734,762</u>
End of year	<u>\$ 199,165</u>	<u>\$ 25,707</u>	<u>\$ 224,872</u>	<u>\$ 504,982</u>	<u>\$ 729,854</u>

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

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Statement of Revenues, Expenses, and Changes in Governmental
Fund Balances and Net Position
Year Ended December 31, 2017

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures					
Operating appropriations	\$ 464,953	\$ --	\$ 464,953	\$ 18,950	\$ 483,903
Reserve for future capital outlays	<u>5,000</u>	<u>--</u>	<u>5,000</u>	<u>(5,000)</u>	<u>--</u>
Total expenditures	469,953	--	469,953	13,950	483,903
Revenues and other financing sources					
Revenues					
District taxes	472,925	--	472,925	--	472,925
Supplemental fire services grant	444	--	444	--	444
Interest income	223	--	223	--	223
Unifrom fire safety act revenues	12,634	--	12,634	--	12,634
Miscellaneous income	<u>593</u>	<u>--</u>	<u>593</u>	<u>--</u>	<u>593</u>
Total revenues	486,819	--	486,819	--	486,819
Transfers					
Reserve for future capital outlays	<u>--</u>	<u>5,000</u>	<u>5,000</u>	<u>(5,000)</u>	<u>--</u>
Total transfers	<u>--</u>	<u>5,000</u>	<u>5,000</u>	<u>(5,000)</u>	<u>--</u>
Total revenues and tranfers	<u>486,819</u>	<u>5,000</u>	<u>491,819</u>	<u>(5,000)</u>	<u>486,819</u>
Excess of revenues and transfers over expenditures	16,866	5,000	21,866	(21,866)	--
Changes in net position	--	--	--	2,916	2,916
Fund balances / net position					
Beginning of the year	<u>161,952</u>	<u>15,707</u>	<u>177,659</u>	<u>554,187</u>	<u>731,846</u>
End of year	<u>\$ 178,818</u>	<u>\$ 20,707</u>	<u>\$ 199,525</u>	<u>\$ 535,237</u>	<u>\$ 734,762</u>

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

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The accounting policies of Borough of Englishtown Fire District No. 1 (the "District") conform to the accounting principles generally accepted in the United States of America and the standards 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, 2018 and 2017 the financial statements of Borough of Englishtown Fire District No. 1 have been prepared in conformity with accounting principles generally accepted in the United States of America ("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.

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 2018 and 2017. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

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.

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2018 and 2017

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 and firefighting equipment. The financial resources are derived from issuance of debt and 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 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 position.

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

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.

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.

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2018 and 2017

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.

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 rather than commitments related to unperformed contracts for goods and 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.

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 \$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 that do not add the value to the asset or materially extend assets lives are not capitalized.

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 Statements of Revenues, Expenses, and Changes in Governmental Fund Balances and Net Position with accumulated depreciation reflected in the Statements of Net Position and Governmental Funds Balance Sheets. 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.

Impairment of Capital Assets

In accordance with the provisions of the pronouncement related to accounting and financial reporting for impairment of capital assets, the District assesses capital assets for impairment whenever events or changes in circumstances indicate that the service utility of the capital asset have both significantly and unexpectedly declined. For the years ended December 31, 2018 and 2017, management has determined that there was no impairment of capital assets.

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2018 and 2017

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 Statements of Revenues, Expenses, and Changes in Governmental Fund Balances and Net Position.

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 Statements of Net Position and Governmental Funds Balance Sheets.

Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund. For long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

Net Position

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 follows:

- 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 a 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.

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2018 and 2017

Government-wide Basis

Net position is classified in three components:

- Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and related debt.
- Restricted for capital acquisitions – Current balance consists of net position restricted for the expansion of the fire house, fire truck, and equipment.
- Unrestricted net position – All net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

Advertising

The District expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2018 and 2017 approximated \$300 and \$100, respectively.

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the current year presentation.

2. ADJUSTMENTS TO ARRIVE AT NET POSITION

Capital Assets - Net and Net Investment in Capital Assets

For the years ended December 31, 2018 and 2017, capital assets, net in the amount of \$788,531 and \$876,227, respectively, and net investment in capital assets in the amount of \$501,167 and \$459,122, respectively, have been included in the government-wide presentation.

Interfund Receivable and Payable

For the years ended December 31, 2018 and 2017, interfund receivables and payables in the amount of \$105,777 and \$125,777, respectively, have been eliminated in arriving at the government-wide presentation.

Deferred Charges to Future Taxation

For the years ended December 31, 2018 and 2017, deferred charges to future taxation in the amount of \$288,463 and \$413,967, respectively, have been eliminated in arriving at the government-wide presentation.

Fund Balances, Unrestricted Net Position, and Net Position Restricted for Capital Acquisitions

For the years ended December 31, 2018 and 2017, fund balances in the amounts of \$224,872 and \$199,525, respectively, have been eliminated. Unrestricted net position in the amounts of \$122,910 and \$149,863, respectively, and net position restricted for capital acquisitions in the amounts of \$105,777 and \$125,777, respectively, has been included in the government-wide presentation.

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2018 and 2017

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, 2018 and 2017, improvement authorizations in the amounts of \$83,456 in both years have been eliminated in arriving at the government-wide presentation.

Reserve for Fire Official Trust

In the governmental-wide basis of accounting, capital assets purchased with reserve fire official trust fund are accounted as fixed assets. Therefore, for the years ended December 31, 2018 and 2017, capital assets purchased against the reserve fire official trust fund in an amount of \$78,542 and \$35,479, respectively, have been returned to reserve in arriving at the government-wide presentation.

Reserve for Debt Service

For budgetary purposes, appropriation for debt principal is reserved until the payment is due. For GAAP purposes, reserve for debt service does not represent a liability. Therefore, for the years ended December 31, 2018 and 2017, reserve for debt service in the amount of \$0 and \$25,000, respectively, have been eliminated in arriving at the government-wide presentation.

Investment in LOSAP/Net Assets Available for LOSAP

For GAAP purposes, investment in LOSAP and related net assets available for LOSAP are funds held in the trust for future distribution to retirees. For budgetary purposes, it is not a financial resource for the District's operating expenses. Therefore, for the years ended December 31, 2018 and 2017, the investment in LOSAP and related net assets available for LOSAP in the amounts of \$411,651 and \$406,841, respectively, have been included in the government-wide presentation.

3. ADJUSTMENTS TO ARRIVE AT THE CHANGES IN NET POSITION

Operating Appropriations

For the year ended December 31, 2018, depreciation expense in the amount of \$112,383 has been included in the government-wide presentation. Additionally, principal payments on serial bonds, note, and capital lease have been decreased by \$100,504. The net effect on operating appropriations is an increase of \$11,879.

For the year ended December 31, 2017, depreciation expense in the amount of \$93,950 has been included in the government-wide presentation. Additionally, principal payments on serial bonds and notes have been decreased by \$75,000. The net effect on operating appropriations is an increase of \$18,950.

Reserve for Future Capital Outlays and Related Transfers

For the years ended December 31, 2018 and 2017, reserve for future capital outlays and related transfers were reduced by \$5,000 in both years, on the government-wide presentation to eliminate the general fund expenditure and capital fund revenue related to the creation of future improvement authorizations.

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2018 and 2017

Sale of Asset

When an asset is sold, the remaining net book value is recognized with sale proceed under U.S. generally accepted accounting principles. Under fund basis of accounting, only proceeds from sale of asset are recognized. Therefore, for the year ended December 31, 2018, the net book value of the sold asset in the amount of \$18,376 has been netted with \$18,000 sale proceeds, creating a loss of \$376.

4. DEPOSITS AND INVESTMENTS

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

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

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, 2018 and 2017, the District's cash accounts consisted of:

	2018	2017
Brunswick - Checking	\$ 140,890	\$ 255,898
Brunswick - Savings	338,442	222,904
Brunswick - Trust	<u>86,512</u>	<u>118,703</u>
Total Cash	<u>\$ 565,844</u>	<u>\$ 597,505</u>

The carrying amount of the Board's cash at December 31, 2018 was \$565,844, and the bank balance was \$586,954. Of the balance, \$250,000 was covered by federal depository insurance and \$336,954 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.

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2018 and 2017

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	\$ 250,000
Category 2	Deposits which are collateralized with securities held by the pledging financial institution's trust department, or Agent in the District's name	336,954
Category 3	Cash 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.
- (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 2018 and 2017, 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 situated, 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.

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2018 and 2017

The collector or treasurer of the municipality, in which said district is situated, shall pay over all monies 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 monies 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 the fire districts monies 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 the fire district monies 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 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 ended December 31, 2018 and 2017, the fire tax rate was \$0.196 and \$0.195, respectively, per \$100 of assessed valuation.

The tax revenue is supplemented by income earned on surplus funds invested in savings during the year. Additionally, revenues are generated by the fire bureau through participation in the Uniform Fire Safety Act.

The District also participates in the Supplemental Fire Services Program. For each of the years ended December 31, 2018 and 2017, the District received \$444.

7. LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

The District maintains a LOSAP in accordance with Internal Revenue Code Section 457 which has 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 tax-deferred income benefits come from contributions made solely by the governing body of the District, on behalf of those volunteers who meet the criteria of the Plan created by the governing body. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2018 and 2017

Contributions

If an active member meets the year of active service agreement, a length of service award program must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,709 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40a:14-185(f)). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually. Contributions by the District to this program have been made each year since its inception. The District elected to contribute \$1,709 for the year ended December 31, 2018, per eligible volunteer, into the Plan.

For 2018 and 2017, the budgeted amount of the contribution was \$48,000 each year and the contribution made in 2018 and 2017 was \$27,344 and \$33,475, respectively. The remaining budget is reserved for future distribution. Participants direct the investment of the contributions into various investment options offered by the Plan. The District has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the Plan. The type of investment options, and the administering of such investments, rests solely with the third-party, Lincoln Financial Group ("Plan Administrator"), an approved LOSAP provider.

Participant Accounts

Each participant's account is credited with the District's contribution and Plan earnings, and charged with administrative expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. The District has placed the amounts deferred, including earnings, in a trust maintained by the Plan Administrator for the exclusive benefit of the plan participants and their beneficiaries. Such funds, although subject to the claims of the District's creditors until distributed as benefit payments, are not available for funding the operations of the District. The funds may also be used to pay the administrative fees charged by the Plan Administrator.

The District's practical involvement in the Plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the Plan Administrator.

Vesting

Benefits, plus actual earnings thereon, are 100% vested after five (5) years of service.

Payment of Benefits

Upon retirement or disability, participants may select various payout options, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate. In the event of an unforeseeable emergency, as outlined in the Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the Plan Administrator to payout a portion of vested accumulated deferrals. During the years ended December 31, 2018 and 2017, payments of \$0 and \$37,493, respectively, were made to vested participants.

Forfeited Accounts

There were no forfeitures during the years ended December 31, 2018 and 2017.

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2018 and 2017

Investments in LOSAP

The investments of the LOSAP are recorded at fair value on the government-wide presentation Statements of Net Position and Governmental Funds Balance Sheets.

The District uses a fair value hierarchy established by GAAP that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are:

- Level 1 – Valuation is based upon quoted prices for identical assets.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and inputs other than quoted prices that are observable instruments in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant unobservable inputs.

The following tables set forth by level, within the value hierarchy, the District's assets at fair value at December 31, 2018 and 2017.

	2018			Total
	Level 1	Level 2	Level 3	
Growth	\$ 27,264	\$ --	\$ --	\$ 27,264
Bond	970	--	--	970
Small Cap Index	1,696	--	--	1,696
S&P 500 Index	124,699	--	--	124,699
International Value	9,062	--	--	9,062
Allocation/Diversified Income	13,348	--	--	13,348
Fixed Account	127,984	--	--	127,984
Delaware REIT	31,720	--	--	31,720
T Rowe Price	63,265	--	--	63,265
MFS Utilities	8,068	--	--	8,068
Contra-Fund	3,575	--	--	3,575
Total assets at fair value	\$ 411,651	\$ --	\$ --	\$ 411,651

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2018 and 2017

	2017			Total
	Level 1	Level 2	Level 3	
Growth	\$ 31,790	\$ --	\$ --	\$ 31,790
Bond	996	--	--	996
Small Cap Index	1,963	--	--	1,963
S&P 500 Index	123,514	--	--	123,514
International Value	11,493	--	--	11,493
Allocation/Diversified Income	14,230	--	--	14,230
Fixed Account	116,147	--	--	116,147
Delaware REIT	32,995	--	--	32,995
T Rowe Price	66,020	--	--	66,020
MFS Utilities	7,693	--	--	7,693
Total assets at fair value	<u>\$ 406,841</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 406,841</u>

Risks and Uncertainties

The Plan invests in various investment securities and is exposed to various risks such as interest rate, market, and credit risks due to the level of risk associated with certain investment securities. It is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statements of Net Position and Governmental Funds Balance Sheets.

Plan Information

Additional information about the District's LOSAP can be obtained by contacting the Plan Administrator.

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2018 and 2017

8. CAPITAL ASSETS

The following schedules are a summary of the capital assets by source for the years ended December 31, 2018 and 2017:

Description	January 1, 2018	Additions	Transfer/ Deletions	December 31, 2018
Capital assets being depreciated				
Buildings	\$ 400,000	\$ --	\$ --	\$ 400,000
Buildings improvements	87,821	--	--	87,821
Fire trucks	1,150,483	--	(105,000)	1,045,483
Other vehicles	166,180	43,063	--	209,243
Equipment	416,756	--	--	416,756
Total	2,221,240	43,063	(105,000)	2,159,303
Less accumulated depreciation				
Buildings	235,000	10,000	--	245,000
Buildings improvements	28,243	5,255	--	33,498
Fire trucks	781,876	39,881	(86,624)	735,133
Other vehicles	114,014	23,949	--	137,963
Equipment	185,880	33,298	--	219,178
Total	1,345,013	112,383	(86,624)	1,370,772
Net capital assets	\$ 876,227	\$ (69,320)	\$ (18,376)	\$ 788,531
Description	January 1, 2017	Additions	Transfer/ Deletions	December 31, 2017
Capital assets being depreciated				
Buildings	\$ 400,000	\$ --	\$ --	\$ 400,000
Buildings improvements	65,484	22,337	--	87,821
Fire trucks	1,150,483	--	--	1,150,483
Other vehicles	166,180	--	--	166,180
Equipment	208,650	208,106	--	416,756
Total	1,990,797	230,443	--	2,221,240
Less accumulated depreciation				
Buildings	225,000	10,000	--	235,000
Buildings improvements	23,733	4,510	--	28,243
Fire trucks	734,352	47,524	--	781,876
Other vehicles	86,554	27,460	--	114,014
Equipment	181,424	4,456	--	185,880
Total	1,251,063	93,950	--	1,345,013
Net capital assets	\$ 739,734	\$ 136,493	\$ --	\$ 876,227

Depreciation expense for the years ended December 31, 2018 and 2017 amounted to \$112,383 and \$93,950, respectively.

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2018 and 2017

Equipment acquired through capital lease obligations, included in the table above, consisted of the following at December 31:

	2018	2017
Equipment	\$ 200,581	\$ 200,581
Less accumulated depreciation	<u>(28,655)</u>	<u>--</u>
Equipment, net	<u>\$ 171,926</u>	<u>\$ 200,581</u>

9. LONG-TERM DEBT

Fire District Bond – Series 2010

On January 20, 2010, the District issued a \$550,00 Fire District Bond to Brunswick Bank and Trust to finance the purchase a custom built class A pumper fire engine. The Bond bears interest rate of 4.50% and matures on January 15, 2020.

Capital Lease Payable

On December 29, 2017, the District entered into a lease purchase agreement with Motorola Solutions, Inc. to finance the purchase of portable and mobile radio equipment and accessories. The financed amount for this communication equipment was \$200,581, bore interest rate of 3.80%. The final payment is due on December 29, 2024.

Interest expense on the long-term debt amounted to \$12,810 and \$7,788 for the years ended December 31, 2018 and 2017, respectively.

The tables that follow provide information about the change in long-term debt over the past two years for the District:

<u>Purpose</u>	<u>Balance at</u>			<u>Balance at</u>		
	<u>01/01/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/18</u>	<u>Current</u>	<u>Non-current</u>
Fire district bond - pumper	\$ 165,000	\$ --	\$ 55,000	\$ 110,000	\$ 55,000	\$ 55,000
Capital lease - communication equipment	200,581	--	25,504	175,077	26,488	148,589
	<u>\$ 365,581</u>	<u>\$ --</u>	<u>\$ 80,504</u>	<u>\$ 285,077</u>	<u>\$ 81,488</u>	<u>\$ 203,589</u>

<u>Purpose</u>	<u>Balance at</u>			<u>Balance at</u>		
	<u>01/01/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/17</u>	<u>Current</u>	<u>Non-current</u>
Fire district bond - pumper	\$ 220,000	\$ --	\$ 55,000	\$ 165,000	\$ 55,000	\$ 110,000
Capital lease - communication equipment	--	200,581	--	200,581	25,504	175,077
	<u>\$ 220,000</u>	<u>\$ 200,581</u>	<u>\$ 55,000</u>	<u>\$ 365,581</u>	<u>\$ 80,504</u>	<u>\$ 285,077</u>

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2018 and 2017

Future debt service requirements for the fire district bond and capital lease are as follows:

<u>Fiscal Year</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal Balance</u>
2019	\$ 91,958	\$ 10,470	\$ 81,488	\$ 203,589
2020	89,483	6,972	82,511	121,078
2021	33,246	4,674	28,572	92,506
2022	33,246	3,571	29,675	62,831
2023	33,246	2,425	30,821	32,010
2024	33,246	1,236	32,010	--
	<u>\$ 314,425</u>	<u>\$ 29,348</u>	<u>\$ 285,077</u>	

10. BOND ANTICIPATION NOTE

On July 1, 2015, the District issued a \$60,000 bond anticipation note for the repairs and improvements to the fire house mechanical room and a new washer and dryer. The bond anticipation note bears interest rate of 4.00%. The District paid off the balance of \$45,000 in 2018.

11. RESERVE FOR FIRE OFFICIAL TRUST

In March 2012, an ordinance was adopted for the District to take over the duty of bureau fire inspection. The District received approximately \$98,000 from the Borough of Englishtown. The fund is to be utilized for expenditures in compliance with the New Jersey Uniform Fire Safety Act. For the years ended December 31, 2018 and 2017, the balance of the reserve for the fire official trust was \$86,512 and \$118,702, respectively.

12. 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.

13. 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.

14. SUBSEQUENT EVENTS

The District has evaluated subsequent events occurring after the statement of net position and governmental fund balance sheet date through the date of December 3, 2019, which is the date the financial statements were available to be issued. Based on this evaluation, the District has determined that no subsequent events require disclosure in the financial statements.

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2018 and 2017

15. PRIOR PERIOD RESTATEMENT

For the implementation of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets* that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, the 2017 Statement of Net Position and Governmental Funds Balance Sheet has been restated. Investment in LOSAP of \$406,841 and net assets available for LOSAP of \$406,841 have been added. See Note 7 for additional information on these balances.

BOROUGH OF ENGLISHTOWN FIRE DISTRICT NO. 1
Monmouth County, New Jersey

Supplementary Information

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – All Governmental Fund Types
Year Ended December 31, 2018

	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	\$ 484,000	\$ --	\$ 484,000	\$ --	\$ 484,000	\$ 484,000	\$ 484,000	\$ --
Supplemental fire services grant	444	--	444	--	444	444	444	--
Interest income	202	--	202	--	202	--	--	202
Uniform fire safety act revenues	14,577	--	14,577	--	14,577	24,000	24,000	(9,423)
Miscellaneous income	16,055	--	16,055	--	16,055	--	--	16,055
Sale of asset	18,000	--	18,000	(18,376) ⁽¹⁾	(376)	--	--	18,000
Fund balance utilized - unrestricted	--	--	--	--	--	70,556	70,556	(70,556)
Total revenues	<u>533,278</u>	<u>--</u>	<u>533,278</u>	<u>(18,376)</u>	<u>514,902</u>	<u>579,000</u>	<u>579,000</u>	<u>(45,722)</u>
Transfers								
Reserve for future capital outlays	--	5,000	5,000	(5,000)	--	--	--	5,000
Total transfers	<u>--</u>	<u>5,000</u>	<u>5,000</u>	<u>(5,000)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>5,000</u>
Total revenues and transfers	533,278	5,000	538,278	(23,376)	514,902	579,000	579,000	(40,722)
Expenditures								
Operating appropriations								
Administration								
Elections	943	--	943	--	943	1,500	1,500	557
Office expenses	2,951	--	2,951	--	2,951	4,000	4,000	1,049
Professional services	42,796	--	42,796	--	42,796	58,000	58,000	15,204
Advertising	285	--	285	--	285	700	700	415
Total administration	<u>46,975</u>	<u>--</u>	<u>46,975</u>	<u>--</u>	<u>46,975</u>	<u>64,200</u>	<u>64,200</u>	<u>17,225</u>
Operations and maintenance								
Salary and wages								
Commissioners	<u>23,358</u>	<u>--</u>	<u>23,358</u>	<u>--</u>	<u>23,358</u>	<u>23,650</u>	<u>23,650</u>	<u>292</u>
Total salary and wages	<u>23,358</u>	<u>--</u>	<u>23,358</u>	<u>--</u>	<u>23,358</u>	<u>23,650</u>	<u>23,650</u>	<u>292</u>

(continued on the following page)

See Independent Auditor's 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
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – All Governmental Fund Types
Year Ended December 31, 2018

	Governmental Fund Type		Total Actual Amounts			Budgeted Amounts		Budgetary Variance
	General Fund	Capital Fund	Budgetary Basis	Adjustments Note B	GAAP Basis	Original	Final	
Fringe benefits								
LOSAP	48,000	--	48,000	--	48,000	48,000	48,000	--
Fringe benefits	2,298	--	2,298	--	2,298	3,300	3,300	1,002
Total fringe benefits	50,298	--	50,298	--	50,298	51,300	51,300	1,002
Other expenses								
Training	10,396	--	10,396	--	10,396	18,000	18,000	7,604
Uniform fire safety act expenses	30,328	--	30,328	--	30,328	33,000	33,000	2,672
Insurance	76,500	--	76,500	--	76,500	84,916	84,916	8,416
Dues and subscriptions	3,753	--	3,753	--	3,753	5,000	5,000	1,247
Maintenance and repairs	60,605	--	60,605	--	60,605	62,500	62,500	1,895
Rental charges	26,000	--	26,000	--	26,000	26,000	26,000	--
Non-bondable - fire fighting equipment	18,203	--	18,203	--	18,203	35,000	35,000	16,797
Fuel purchase	9,163	--	9,163	--	9,163	15,000	15,000	5,837
Utilities	38,401	--	38,401	--	38,401	40,000	40,000	1,599
Bond principal	55,000	--	55,000	(55,000) ⁽¹⁾	--	55,000	55,000	--
Bond interest	5,068	--	5,068	--	5,068	6,188	6,188	1,120
Bond note principal	20,000	--	20,000	(20,000) ⁽¹⁾	--	20,000	20,000	--
Bond note interest	637	--	637	--	637	1,000	1,000	363
Capital lease principal	25,504	--	25,504	(25,504) ⁽¹⁾	--	25,504	25,504	--
Capital lease interest	7,742	--	7,742	--	7,742	7,742	7,742	--
Depreciation expense	--	--	--	112,383 ⁽¹⁾	112,383	--	--	--
Total other expenses	387,300	--	387,300	11,879	399,179	434,850	434,850	47,550
Total operations and maintenance	460,956	--	460,956	11,879	472,835	509,800	509,800	48,844
Total operating appropriations	507,931	--	507,931	11,879	519,810	574,000	574,000	66,069

(continued on the following page)

See Independent Auditor's 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
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – All Governmental Fund Types
Year Ended December 31, 2018

	Governmental Fund Type		Total Actual Amounts			Budgeted Amounts		Budgetary Variance
	General Fund	Capital Fund	Budgetary Basis	Adjustments Note B	GAAP Basis	Original	Final	
Capital appropriations								
Reserve for future capital outlays	5,000	--	5,000	(5,000)	--	5,000	5,000	--
Total capital appropriations	5,000	--	5,000	(5,000)	--	5,000	5,000	--
Total expenditures	512,931	--	512,931	6,879	519,810	579,000	579,000	66,069
Excess of revenues and transfers								
over expenditures	20,347	5,000	25,347	(25,347)	--	\$ --	\$ --	\$ 25,347
Changes in net position	--	--	--	(4,908)	(4,908)			
Fund balances/net position, beginning of the year	178,818	20,707	199,525	535,237 ⁽²⁾	734,762			
Fund balances/net position, end of year	\$ 199,165	\$ 25,707	\$ 224,872	\$ 504,982	\$ 729,854			

See Independent Auditor's 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, 2018

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. The 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 monies 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 in the United States of America follows:

	<u>Change in Fund Balance</u>
(1) 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.	\$ 100,504
Remaining net book value of an asset when sold is not recorded on the budgetary basis of accounting. For GAAP purposes, the asset's net book value is applied against the sale proceeds.	(18,376)
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>(112,383)</u>
Decrease in fund balance - budget to GAAP	(30,255)

(continued on the follow page)

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Notes to Supplementary Information
Year Ended December 31, 2018

**Change in
Fund Balance**

(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.

535,237
\$ 504,982

C. BUDGET CANCELLATION

Regulations allow the District to cancel unexpended appropriations before year end by resolution. During the year ended December 31, 2018, the District cancelled \$-0- of appropriations resulting in a reservation of fund balance as follows:

Adopted budget	\$ 579,000
Expenditures	<u>512,931</u>
Favorable variance	66,069
Cancelled	<u>--</u>
Fund balance reserve	<u>\$ 66,069</u>

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Schedule of Improvement Authorizations – Capital Fund
Year Ended December 31, 2018

Purpose	Authorized Appropriation		Balance January 1, 2018	2018 Authorization	2018 Paid/Charged	Balance December 31, 2018	December 31, 2018	
	Date	Amount					Funded	Unfunded
Self contained breathing apparatus compressor system	2006	\$ 45,000	\$ 34,512	\$ --	\$ --	\$ 34,512	\$ 31,126	\$ 3,386
Paving of the parking lot, repairs to overhead doors	2008	75,000	20,813	--	--	20,813	20,813	--
Class A pumper	2008	550,000	265	--	--	265	265	--
Mechanical room and washer & dryer	2015	60,000	26,999	--	--	26,999	26,999	--
Utility truck	2016	60,000	867	--	--	867	867	--
		<u>\$ 790,000</u>	<u>\$ 83,456</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 83,456</u>	<u>\$ 80,070</u>	<u>\$ 3,386</u>

See Independent Auditor's Report.

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Schedule of Improvement Authorizations – Capital Fund
Year Ended December 31, 2017

<u>Purpose</u>	<u>Authorized Appropriation</u>		<u>Balance</u>	<u>2017</u>	<u>2017</u>	<u>Balance</u>	<u>December 31,</u>	
	<u>Date</u>	<u>Amount</u>	<u>January 1,</u>	<u>Authorization</u>	<u>Paid/Charged</u>	<u>December 31,</u>	<u>Funded</u>	<u>Unfunded</u>
			<u>2017</u>			<u>2017</u>		<u>2017</u>
Self contained breathing apparatus compressor system	2006	\$ 45,000	\$ 34,512	\$ --	\$ --	\$ 34,512	\$ 31,126	\$ 3,386
Paving of the parking lot, repairs to overhead doors	2008	75,000	43,149	--	(22,336)	20,813	20,813	--
Class A pumper	2008	550,000	7,791	--	(7,526)	265	265	--
Mechanical room and washer & dryer	2015	60,000	26,999	--	--	26,999	--	26,999
Utility truck	2016	60,000	867	--	--	867	867	--
		<u>\$ 790,000</u>	<u>\$ 113,318</u>	<u>\$ --</u>	<u>\$ (29,862)</u>	<u>\$ 83,456</u>	<u>\$ 53,071</u>	<u>\$ 30,385</u>

See Independent Auditor's Report.

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Schedule of Deferred Charges to Future Taxation
Year Ended December 31, 2018

Purpose	Balance January 1, 2018	2018 Additions	2018 Budget Appropriation	Balance December 31, 2018
Funded				
Fire district bond - pumper	\$ 165,000	\$ --	\$ 55,000	\$ 110,000
Total funded	165,000	--	55,000	110,000
Unfunded				
SCBA - BAN	3,386	--	--	3,386
Mechanical room and washer & dryer - BAN	45,000	--	45,000	--
Motorola communication equipment - capital lease	200,581	--	25,504	175,077
Total unfunded	248,967	--	70,504	178,463
Total	\$ 413,967	\$ --	\$ 125,504	\$ 288,463

See Independent Auditor's Report.

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Schedule of Deferred Charges to Future Taxation
Year Ended December 31, 2017

Purpose	Balance January 1, 2017	2017 Additions	2017 Budget Appropriation	Balance December 31, 2017
Funded				
Fire district bond - pumper	\$ 220,000	\$ --	\$ 55,000	\$ 165,000
Total funded	220,000	--	55,000	165,000
Unfunded				
SCBA - BAN	3,386	--	--	3,386
Mechanical room and washer & dryer - BAN	60,000	--	15,000	45,000
Motorola communication equipment - capital lease	--	200,581	--	200,581
Total unfunded	63,386	200,581	15,000	248,967
	<u>\$ 283,386</u>	<u>\$ 200,581</u>	<u>\$ 70,000</u>	<u>\$ 413,967</u>

See Independent Auditor's Report.

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Statistical Information
Years Ended December 31, 2018 and 2017

Property Tax Levies

The following is a tabulation of the district's assessed valuations, tax levies, and property tax rates per \$100 of assessed valuation for the current and preceding nine (9) years:

Fiscal Year	Assessed Valuations	Total Tax Levy	Property Tax Rates
2018	\$ 248,186,000	\$ 484,000	0.196
2017	242,616,500	472,925	0.195
2016	240,537,900	469,000	0.195
2015	239,850,700	460,000	0.192
2014	249,645,900	448,000	0.180
2013	254,020,900	429,219	0.169
2012	249,869,200	408,596	0.164
2011	252,343,900	397,771	0.158
2010	259,713,563	389,067	0.150
2009	261,214,259	373,091	0.143

General Fund – Fund Balance before Current Year Appropriation Reserves

Fiscal Year Ended	End of Fiscal Year	Utilization in Subsequent Budget
December 31, 2018	\$ 133,096	\$ 80,656
December 31, 2017	94,508	70,556
December 31, 2016	79,592	62,894
December 31, 2015	87,147	62,894
December 31, 2014	98,295	66,070
December 31, 2013	139,529	66,844
December 31, 2012	128,887	53,000
December 31, 2011	85,681	53,878
December 31, 2010	45,632	53,878
December 31, 2009	36,175	34,638

Capital Fund – Fund Balance

Fiscal Year Ended	End of Fiscal Year	Utilization in Subsequent Budget
December 31, 2018	\$ 25,707	\$ --
December 31, 2017	20,707	--
December 31, 2016	15,707	--
December 31, 2015	70,707	55,000
December 31, 2014	65,707	--
December 31, 2013	60,304	--
December 31, 2012	55,304	--
December 31, 2011	120,304	65,000
December 31, 2010	105,304	10,000
December 31, 2009	80,304	--

See Independent Auditor's Report.

**Borough of Englishtown Fire District No. 1
 Monmouth County, New Jersey
 Roster of Officials
 Years Ended December 31, 2018 and 2017**

Board of Commissioners	Position	Term Expires	Amount of Surety Bond*
Peter Cooke	Chairman	2020	\$ 1,000,000*
Gerald Maresca	Vice Chairman	2020	1,000,000*
Ryan Reale	Treasurer	2021	1,000,000*
Brian Stonaker	Commissioner	2021	1,000,000*
Victoria Sarti	Commissioner/Clerk	2022	1,000,000*

Other Officials

Joseph D. Youssouf Board Attorney

* Blanket Bond Coverage

Surety Company

First Responder Insurance Fund

See Independent Auditor's Report.

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Comments and Recommendations
Years Ended December 31, 2018 and 2017

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, 2018 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 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 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 in the United States of America.

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 Auditor's Report.

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Comments and Recommendations
Years Ended December 31, 2018 and 2017

Recommendations

None

Prior Year Comments

None

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,

William Smith + Brown, PC

December 3, 2019

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Schedule of Findings and Recommendations
Years Ended December 31, 2018 and 2017

Schedule of Financial Statement Findings

This section identifies the 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, and State of New Jersey.

Material Weaknesses

None reported.

Borough of Englishtown Fire District No. 1
Monmouth County, New Jersey
Schedule of Prior Year Findings and Recommendations
Years Ended December 31, 2018 and 2017

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*.

Material Weaknesses

None reported.