

**MANTUA TOWNSHIP FIRE DISTRICT NO. 1  
REPORT OF AUDIT  
YEAR ENDED DECEMBER 31, 2011**

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**MANTUA TOWNSHIP FIRE DISTRICT NO. 1**

**ROSTER OF OFFICIALS**

**FIRE DISTRICT MEMBERS**

Nick Vacarino  
Kevin Howarth  
Joseph Hauss  
Leonard Campbell  
Charles Jones, Sr.

**POSITION**

Chairman  
Vice Chairman  
Treasurer  
Commissioner  
Secretary

**OTHER OFFICIALS**

Gayle Tschopp  
Richard M. Braslow, Esq.

Chief Financial Officer  
Solicitor

## **FINANCIAL SECTION**

# PETRONI & ASSOCIATES LLC

Certified Public Accountants • Registered Municipal Accountants  
102 West High Street, Suite 100 • P.O. Box 279 • Glassboro, NJ 08028  
(856) 881-1600 • Fax (856) 881-6860

MEMBER: AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

Nick L. Petroni, CPA, RMA

Mary A. Carey, RMA  
Wendy G. Fama, CPA  
Denise R. Nevico, CPA  
Deanna L. Roller, CPA, RMA

## INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members  
of the Fire District  
Mantua Township Fire District No. 1  
401 Main Street  
Mantua, New Jersey 08051

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Mantua Township Fire District No. 1, in the County of Gloucester, State of New Jersey as of and for the years ended December 31, 2011 and 2010 which collectively comprise the Fire District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Mantua Township Fire District No. 1 management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit 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 the audit requirements as prescribed by the Local Finance Board and the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mantua Township Fire District No. 1 as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2012, on our consideration of the Mantua Township Fire District No. 1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with

*Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and the budgetary comparison schedule as listed in the index are not a required part of the basic financial statements but are supplementary information required by accounting principles generally in the United States of America. We have applied certain limited procedures, which, consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not express an opinion or provide any assurance on the information because the limited procedures do not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mantua Township Fire District No. 1's financial statements. The accompanying introductory section and other supplementary information listed in the index are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

PETRONI & ASSOCIATES LLC



Nick L. Petroni  
Certified Public Accountant  
Registered Municipal Accountant #252

April 16, 2012

**REQUIRED SUPPLEMENTARY INFORMATION – PART I**

**MANTUA TOWNSHIP FIRE DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)**

**INTRODUCTION**

The Mantua Township Board of Fire Commissioners for Fire District No. 1, hereinafter referred to as the "District" is pleased to present the Annual Financial Report developed in accordance with State of Governmental Accounting Standard No. 34 entitled, "Basic Financial Statement - Management's Discussion and Analysis - For State & Local Governments" (hereinafter "G.A.S.B. 34") and related standards.

**MISSION**

The mission of the Mantua Township Fire District No. 1 is to serve our citizens when an emergency occurs. We will respond safely and quickly with trained, skilled, and compassionate members, and using the best available equipment, neutralize or reverse any situation of those in need. We will continue aggressive planning and response preparation, and will strive to prevent the need for our emergency services through education and community interaction. Our services shall be delivered by a dedicated family of members committed to exceeding the needs and expectations of those we serve anytime, anyplace, any need.

**RESPONSIBILITY AND CONTROL**

The District has prepared and is responsible for the financial statements and related information in this report. The opinion of the independent auditors, Petroni & Associates LLC, is included in this report. In management's opinion the financial statements represent fairly and in all material aspects, financial position and results of operations of the District for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**SUMMARY OF ORGANIZATION AND BUSINESS**

The District is a taxing authority charged with the duty to prevent and extinguish fires and regulate fire hazards, (N.J.S.A. 40A:14-81).

The District was created for the purpose of fire suppression and prevention and operating a fire department for said purpose. The District's responsibilities are carried out by a combination of full-time paid professional firefighters (four volunteer battalion chiefs, one full-time Fire Inspector, one Fire Marshall, one administrative clerk, one clerk-typist and eighteen fire fighters) as well as a large volunteer force.

**MANAGEMENT OVERSIGHT**

The Mantua Township Board of Fire Commissioners consists of five board members who are elected by the residents of Mantua Township for 3 years in alternate time periods.

**DESCRIPTION OF THE FIRE SUPPRESSIONS AND PREVENTION SERVICES PROVIDED**

The District's responsibilities are carried out under the operational direction of the district chief. The Chief oversees the District's entire operation that includes, one full-time paid Deputy Fire Chief and one full-time paid Fire Marshall. The District is proactive in diligently conducting fire inspections of the Township's commercial buildings, enforcing the fire code, and seeing that violations are corrected either via Court Order or through collaborative efforts with the community.



**MANTUA TOWNSHIP FIRE DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)**

**DESCRIPTION OF THE FIRE SUPPRESSIONS AND PREVENTION SERVICES PROVIDED  
(CONTINUED)**

The District utilizes two (2) stations located throughout the community in order to permit an efficient and prompt response to any fire hazard. Continuing training of all personnel is mandated for the District's firefighters making them a highly regarded fire fighting force in the county.

**FINANCIAL HIGHLIGHTS**

Mantua Township Fire District No. 1's Net Assets

	<u>2011</u>	<u>2010</u>
<b>Assets:</b>		
Current and Other Assets	862,731.90	614,795.15
Capital Assets	1,391,236.41	1,517,625.55
Total Assets	<u>2,253,968.31</u>	<u>2,132,420.70</u>
<b>Liabilities:</b>		
Noncurrent Liabilities	662,714.47	802,754.28
Other Liabilities	289,626.84	49,794.65
Total Liabilities	<u>952,341.31</u>	<u>852,548.93</u>
<b>Net Assets:</b>		
Invested in Capital Assets		
Net of Related Debt	743,071.87	733,792.99
Restricted	31,405.94	101,205.18
Unrestricted	527,148.69	444,873.60
Total Net Assets	<u>1,301,626.50</u>	<u>1,279,871.77</u>

The Fire District's combined net assets on December 31, 2011 and 2010 were \$1,301,626.50 and \$1,279,871.77, respectively. This was an increase of \$21,753.00.

The tax rate was \$.097 in 2011, \$.101 in 2010 and \$.100 in 2009 per \$100.00 of assessed valuation.

The budget utilized fund balance of \$100,000.00 in 2011, \$75,000 in 2010 and \$23,655.00 in 2009. This was an increase of \$25,000.00.

**MANTUA TOWNSHIP FIRE DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

The budget for debt service was \$188,859.00 and \$204,867.00 in 2011 and 2010, respectively. The current year amount was \$16,008.00 less than in 2010.

Mantua Township Fire District No. 1's Change in Fund Balance

	2011 Actual	2010 Actual	Increase (Decrease)
Revenues:			
Fund Balance	100,000.00	75,000.00	(25,000.00)
Miscellaneous Revenue	44,339.70	107,694.00	63,354.30
Amount to be Raised by Taxation	741,617.00	776,376.00	34,759.00
Total Revenues	<u>885,956.70</u>	<u>959,070.00</u>	<u>73,113.30</u>
Appropriations:			
Administrative	61,503.44	96,406.00	34,902.56
Cost of Operations and Maintenance	527,489.99	496,295.00	(31,194.99)
Total Operating Appropriations	<u>588,993.43</u>	<u>592,701.00</u>	<u>3,707.57</u>
Other Appropriations:			
Capital Appropriations		25,000.00	25,000.00
Capital Lease Appropriations	54,984.36	70,018.00	15,033.64
Debt Service	133,873.00	134,849.00	976.00
Total Other Appropriations	<u>188,857.36</u>	<u>229,867.00</u>	<u>41,009.64</u>
Total Appropriations	<u>777,850.79</u>	<u>822,568.00</u>	<u>44,717.21</u>
Excess of Revenues over Expenditures	108,105.91	136,502.00	28,396.09
Decreased by Utilization as Anticipated Revenue	100,000.00	75,000.00	(25,000.00)
Net Change in Fund Balance	<u><u>8,105.91</u></u>	<u><u>61,502.00</u></u>	<u><u>53,396.09</u></u>

**MANTUA TOWNSHIP FIRE DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

Mantua Township Fire District No. 1 Changes in Net Assets			
	2011	2010	Increase (Decrease)
Revenues			
Program Revenues:			
Charges for Services	22,111.41	21,234.00	877.41
General Revenue:			
Taxes:			
Property Tax Revenue - General	552,758.00	571,509.00	(18,751.00)
Taxes Levied for Debt Service	166,759.00	182,767.00	(16,008.00)
Unrestricted Misc. Income	20,525.49	82,925.00	(62,399.51)
Unrestricted Investment Earnings	1,502.80	2,534.00	(1,031.20)
Dedicated Penalties	200.00	1,001.00	(801.00)
Total Revenue	763,856.70	861,970.00	(97,312.30)
Expenses			
Operating Appropriations:			
Administration	61,503.44	96,406.00	(34,902.56)
Cost of Operations and Maintenance	523,299.62	498,247.00	25,052.62
Interest on Debt	30,909.77	37,017.00	(6,107.23)
Unallocated Depreciation	126,389.14	126,389.00	
Total Expenses	742,101.97	758,059.00	(15,957.17)
Increase (Decrease) in Net Assets	21,754.73	103,911.00	(81,355.13)

**CAPITAL ASSETS**

The Mantua Township Fire District's investment in capital assets for its governmental activities as of December 31, 2011 and 2010 were \$1,391,236.41 and \$1,517,625.55 (net of accumulated depreciation), respectively. This investment in capital assets includes land, buildings, equipment and furniture (more detailed information about capital assets can be found in Note 3 to the financial statements).

	Governmental Activities	
	2011	2010
Land	81,000.00	81,000.00
Buildings & Improvements	529,659.37	544,071.87
Equipment	2,280.96	5,018.10
Vehicles	778,296.08	887,535.58
	1,391,236.41	1,517,625.55

**LONG-TERM DEBT**

At December 31, 2011 and 2010 the Fire District had outstanding capital leases of \$93,717.87 and \$142,585.89, respectively. At December 31, 2011 and 2010 the Fire District had outstanding principal due on an Interlocal loan with the Township of Mantua of \$554,446.67 and \$641,246.67, respectively.

**MANTUA TOWNSHIP FIRE DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)**

**FINAL COMMENTS**

The District has budgeted its expenses and revenues conservatively in the past and will continue to do so in the future. Maintaining or lowering tax rates while providing quality service are the primary goals of the District. Constant internal monitoring of financial data ensures that these goals can be met.

**CONTACTING THE DISTRICT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have any questions about this report or need additional financial information, contact Gayle Tschopp, Chief Financial Officer, at Mantua Township Fire District, 401 Main Street, Mantua NJ, 08051, or email at [gtschopp@mantuatownship.com](mailto:gtschopp@mantuatownship.com).

## **BASIC FINANCIAL STATEMENTS**

## **DISTRICT-WIDE FINANCIAL STATEMENTS**

MANTUA FIRE DISTRICT NO. 1  
STATEMENT OF NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Governmental Activities	
	2011	2010
<b>ASSETS</b>		
Cash and Cash Equivalents	846,910.64	605,343.72
Prepaid Expenses	2,539.83	2,721.25
Restricted Cash and Cash Equivalents	1,405.94	1,205.18
Capital Assets, Net	1,391,236.41	1,517,625.55
Due from Township of Mantua	11,875.49	5,525.00
Total Assets	<u>2,253,968.31</u>	<u>2,132,420.70</u>
<b>LIABILITIES</b>		
Accounts Payable	285,122.57	49,132.31
Accrued Interest Payable	343.54	523.11
Other Liabilities	139.23	139.23
Security Deposit	4,022.00	
Noncurrent Liabilities:		
Due Within One Year	154,749.48	157,768.02
Due Beyond One Year	507,964.99	644,986.26
Total Liabilities	<u>952,341.81</u>	<u>852,548.93</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	743,071.87	733,792.99
Assigned:		
Dedicated Penalties	1,405.94	1,205.18
Designated for Subsequent Budget	30,000.00	100,000.00
Unassigned	527,148.69	444,873.60
Total Net Assets	<u>1,301,626.50</u>	<u>1,279,871.77</u>

See accompanying notes to the basic financial statements.

MANTUA FIRE DISTRICT NO. 1  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011

<b>Functions/Programs</b>	<u>Governmental Activities</u>
Governmental Activities:	
Administrative	61,503.44
Cost of Operations & Maintenance	523,299.62
Interest on Long-Term Debt	30,909.77
Unallocated Depreciation	126,389.14
Total Governmental Activities	<u>742,101.97</u>
General Revenues:	
Annual Registration Fees	22,111.41
Taxes:	
Property Taxes, Levied for General Purpose	552,758.00
Taxes Levied for Debt Service	166,759.00
Sale of Assets	4,600.00
Miscellaneous Income	1,848.49
Interest on Investments	1,502.80
Rental Income	14,077.00
Dedicated Penalties	200.00
Total General Revenues, Special Items, Extraordinary Items and Transfers	<u>763,856.70</u>
Change in Net Assets	21,754.73
Net Assets - Beginning	<u>1,279,871.77</u>
Net Assets - End	<u><u>1,301,626.50</u></u>

See accompanying notes to the basic financial statements.



## **FUND FINANCIAL STATEMENTS**

## **GOVERNMENTAL FUNDS**

MANTUA FIRE DISTRICT NO. 1  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011 AND 2010

	2011	2010
<b>ASSETS</b>		
Cash and Cash Equivalents	846,910.64	605,343.72
Intergovernmental Accounts Receivable:		
Other	11,875.49	5,525.00
Restricted Assets:		
Cash and Cash Equivalents	1,405.94	1,205.18
Total Assets	860,192.07	612,073.90
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities		
Accounts Payable	27,616.90	24,487.35
Other Liabilities	139.23	139.23
Security Deposit	4,022.00	
Intergovernmental Accounts Payable	257,505.67	24,644.96
Total Liabilities	289,283.80	49,271.54
Fund Balances		
Assigned Fund Balance:		
Other Purposes	20,859.22	17,056.66
Dedicated Penalties	1,405.94	1,205.18
Designated for Subsequent Budget	30,000.00	100,000.00
Unassigned		
General Fund	518,643.11	444,540.52
Total Fund Balances	570,908.27	562,802.36
Total Liabilities and Fund Balances	860,192.07	612,073.90

See accompanying notes to the basic financial statements.

MANTUA FIRE DISTRICT NO. 1  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011 AND 2010

	<u>2011</u>
Amounts Reported for Governmental Activities in the Statement of Net Assets (A-1) are Different Because:	
Payments made to vendors for services that will benefit periods beyond year end are recorded as expenditures at the time of payment in the funds.	2,539.83
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The costs of assets is \$1,889,304.20 and the accumulated depreciation is \$498,067.79	1,391,236.41
Accrued interest payable is not due and payable in the current period and therefore, is not reported as a liability in the funds.	(343.54)
Long-term liabilities, including leases payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(662,714.47)</u>
Net Assets of Governmental Activities	<u><u>1,301,626.50</u></u>

See accompanying notes to the basic financial statements.

MANTUA FIRE DISTRICT NO. 1  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>			
Annual Registration Fees	22,111.41		22,111.41
Amount to be Raised by Taxation	552,758.00	188,859.00	741,617.00
Sale of Assets	4,600.00		4,600.00
Miscellaneous Income	1,848.49		1,848.49
Interest on Investments	1,502.80		1,502.80
Rental Income	14,077.00		14,077.00
Dedicated Penalties	200.00		200.00
Total Revenues	<u>597,097.70</u>	<u>188,859.00</u>	<u>785,956.70</u>
<b>EXPENDITURES</b>			
Administrative	61,503.44		61,503.44
Cost of Operations & Maintenance	527,489.99		527,489.99
Debt Service:			
Intergovernmental Loans			
Principal		108,900.00	108,900.00
Interest		24,973.00	24,973.00
Capital Leases:			
Principal		48,868.02	48,868.02
Interest		6,116.34	6,116.34
Total Expenditures	<u>588,993.43</u>	<u>188,857.36</u>	<u>777,850.79</u>
Excess (Deficiency) of Revenues Over Expenditures	8,104.27	1.64	8,105.91
Other Financing Sources (Uses)			
Transfers	1.64	(1.64)	
Fund Balance January 1	562,802.36		562,802.36
Fund Balance December 31	<u><u>570,908.27</u></u>		<u><u>570,908.27</u></u>

See accompanying notes to the basic financial statements.

MANTUA FIRE DISTRICT NO. 1  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT  
 OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2011

	2011
Total Net Change in Fund Balances - Governmental Funds (from B-2)	8,105.91
<p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.</p>	
Depreciation Expense	(126,389.14)
<p>Payments made to vendors for services that will benefit periods beyond year-end are recorded as expenditures at the time of payment in the funds.</p>	
	(181.42)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets and is not reported in the Statement of Activities.</p>	
Debt Service Principal Payments	157,768.02
Authorized not Issued	(22,100.00)
<p>Interest on long-term debt in the Statement of Activities differs from the amounts reported in the Governmental Funds because interest is recorded as an expenditure in the funds when it is due, and thus requires that use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The net change in the accrued interest was an increase.</p>	
	179.57
<p>In the Statement of Activities, certain operating expenses e.g. compensated absences are measured by the amounts earned during the year. In Governmental Funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount the difference is an addition to the reconciliation.</p>	
	4,371.79
Change in Net Assets of Governmental Activities	21754.73

See accompanying notes to the basic financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

MANTUA FIRE DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011 and 2010

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Reporting Entity**

The Mantua Township Fire District No. 1 is a political subdivision of the Township of Mantua, Gloucester County, New Jersey. It was formed on January 1, 2007, through the adoption of a Township ordinance. A board of five commissioners oversees all operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of every February. The Chairman and other officers of the Board of the Fire District are selected from amongst the members of the Board.

The governing body of any municipality which does not have a paid or part-time fire department may, upon application of at least twenty voters or at least five percent of the registered voters, whichever is greater, by ordinance, designate a territorial location (or locations) for use as a fire district(s).

The Fire District is responsible for the prevention and suppression of fire within the Township. The Fire District encompasses approximately twenty (20) square miles of territory and is coterminous with the boundaries of the Township. Rescue and ambulance services are provided by separate first aid squads within the Township.

Fire Districts are governed by N.J.S.A. 40A:14-70 et al. and are organized as a taxing authority charged with the responsibility of providing the resources necessary to provide fire fighting services. The Fire District operates two separate volunteer fire stations within its jurisdiction, the Jackson Road station and the Union Avenue station. The volunteer companies are staffed by approximately 30 trained volunteers.

**Basis of Presentation**

The financial statements of the Fire District conform to accounting principles generally accepted in the United States of America applicable to governmental funds of state and local governments in accordance with the provisions of N.J.A.C. 5:31-7.1. The District's financial statements include all the accounts of all the District's operations. The primary criterion for including activities within the reporting entity, as set forth in Section 2100 of the G.A.S.B. Codification of Governmental Accounting and Financial Reporting Standards is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's Board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is a fiscal dependency by the organization on the District

Based on the above criterion, the Fire District is a component unit of the Township of Mantua. The Fire District does issue separate financial statements from the Township. However, if the Township presented its financial statements in accordance with G.A.A.P., these financial statements would be included in the Township's on a blended basis. Based on the aforementioned criteria, the District has no component units to be



MANTUA FIRE DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011 and 2010

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

presented in accordance with Governmental Accounting Standards Board Statement No. 14.

Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting. Accordingly, the Fire District accounts for its transactions through the use of funds and account groups:

**Descriptions of Funds**

**Governmental Funds:**

**General Fund** - The General Fund is the general operating fund of the District and is used to account for the inflows and outflows of its financial resources except those required to be accounted for in another fund. The acquisition of certain capital assets, such as fire fighting apparatus and equipment, is accounted for in the General Fund when it is responsible for the financing of such expenditures.

**Special Revenue Fund** - The Special Revenue Fund is used to account for the proceeds of specific revenue sources, such as state or federal government grants and appropriations that are legally restricted to expenditures for specified purposes.

**Capital Projects Fund** - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities such as fire houses and fire fighting apparatus. Generally, the financial resources of the Capital Projects Fund are derived from the issuance of debt or by the reservation of fund balance, which must be authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

**Debt Service Fund** - The Debt Service Fund is used to account for resources that will be used to service general long-term debt liabilities recorded in the Debt Service Fund.

**Basis of Accounting**

The financial statement of the Mantua Fire District No. 1 have been prepared in conformity with accounting principles generally accepted in the United States of America (G.A.A.P.) as applied to governmental units. The Governmental Accounting Standards Board (G.A.S.B.) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**Basis of Accounting, Measurement Focus and Basis of Presentation**

The District's basic financial statements consist of District-wide statements, including a statement of net assets and a statement of activities, and a fund financial statement which provide a more detailed level of financial information.

MANTUA FIRE DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011 and 2010

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**District-Financial Statements** - The Statement of Net Assets and Statement of Activities display information about the District as a whole. These statements include the financial activities of the overall District except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activity of the District at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the District.

**Net Assets** - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**Revenues** - Revenues are recorded when received in cash except for certain amounts which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the budget. Fund balance utilized to balance the budget is recorded as revenue and budgeted transfers from other funds are also recorded as revenue when anticipated in the budget.

**Expenditures** - Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods and services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and as accounts payable. Budgeted transfers to other funds are recorded as expenditures when the budget is adopted, to the extent permitted or required by law. Appropriations for principal payments on outstanding bonds and notes are provided on the cash basis; interest is also on the cash basis.

**Encumbrances** - Encumbrance accounting is used for the General Fund, and Capital Projects Fund. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as reservations of fund balance on the balance sheet.

MANTUA FIRE DISTRICT NO. 1  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2011 and 2010

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Encumbrances** (Continued) - Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated.

**Income Taxes** - As a public body, under existing statutes, the Fire District is exempt from both federal and state taxes.

**Capital Assets** - The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at estimated fair market value on the date received. The cost of normal repairs and maintenance are not capitalized. The capitalization threshold used by the District is \$5,000.00.

Asset Class	Estimated Useful Lives
Building & Improvements	40 Years
Machinery & Equipment	5 Years
Vehicles	5-20 Years

N.J.S.A. 40A:14-84 governs the procedures for the acquisition of property and equipment for Fire Districts, and N.J.S.A. 40A: 14-85 to 87 governs procedures for the issuance of any debt related to such purchases. In summary, Fire Districts may purchase fire fighting apparatus, equipment, land and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation of property within the District upon the approval of the legal voters. Debt may be issued up to \$60,000.00 or two (2%) percent of the assessed valuation of property, whichever is larger.

**Use of Estimates** - 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Property Taxes** - The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Taxes are payable on the first day of February, May, August and November. Any taxes that have not been paid by the 11<sup>th</sup> day of the 11<sup>th</sup> month in the year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with N.J.S.A. 54:5 et. seq.

The municipality is responsible for remitting 100% of the Fire District's tax to them.

**Budgets and Budgetary Accounting** - The Fire District must adopt an annual budget in accordance with N.J.S.A. 40A:14-78.1 et al. The fire commissioners must introduce and approve the annual budget no later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the Township.

MANTUA FIRE DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011 and 2010

**NOTE 2: BUDGETARY INFORMATION**

**Budgets and Budgetary Accounting** (Continued) - The public hearing must not be held less than twenty-eight days after the date the budget is introduced. After the hearing has been held, the fire commissioners may, by majority vote, adopt the budget.

Amendments may be made to the Fire District budget in accordance with N.J.S.A. 40A: 14-78.3. Subsequent to the adoption of the Fire District budget, the amount of money to be raised by taxation in support of the Fire District budget must appear on the ballot for the annual election for approval of the voters.

Fire districts have a prescribed budgetary basis to demonstrate legal compliance. However, the budgets are adopted on principally the same basis of accounting utilized for the preparation of the Fire District's financial statements.

**NOTE 3: CASH**

**Custodial Credit Risk - Deposits**

Custodial Credit Risk is the risk that in the event of a bank failure, the government's deposits may not be able to recover the value of its deposits or investments. Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. The Fire District's policy is based on New Jersey Statutes requiring cash to be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (G.U.D.P.A.) or in qualified investments established in New Jersey Statutes N.J.S.A. 40A:5-15.1(a) that are treated as cash equivalents. At December 31, 2011 and 2010 the carrying amount of the Fire District's deposits was \$848,316.58 and \$606,548.70, respectively. As of December 31, 2011 and 2010 \$0 of the Fire District's bank balance of \$853,082.57 and \$616,212.58, respectively, was exposed to Custodial Credit Risk.

**NOTE 4: INVESTMENTS**

As of December 31, 2011 or 2010 the Fire District's did not have any investments.

**Interest Rate Risk** - The Fire District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes N.J.S.A. 40A:5-15.1(a) limits the length of time for most investments to 397 days.

**Credit Risk** - New Jersey Statutes N.J.S.A. 40A:5-15.1(a) limits municipal investments to those specified in the statutes. The type of allowable investments are Bonds or other obligations of the United States or obligations guaranteed by the United States, Bonds or other obligations of the Township or bonds or other obligations of the Township school district, Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of Treasury for investment by local units, government money market mutual funds; the

MANTUA FIRE DISTRICT NO. 1  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2011 and 2010

**NOTE 4: INVESTMENTS (CONTINUED)**

**Credit Risk** (Continued) - State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

**Concentration of Credit Risk** - The Fire District places no limit on the amount the Fire District may invest in any one issuer.

**NOTE 5: FUND BALANCES APPROPRIATED – GENERAL FUND**

The following presents the fund balances as of the end of the current and preceding four years and the amount utilized in the subsequent year's budget.

Year	Balance Dec. 31	Utilized in	
		Subsequent Budget	Percentage Utilized
2011	570,908.27	30,000.00	5.25%
2010	562,802.36	100,000.00	17.77%
2009	496,908.42	75,000.00	15.09%
2008	354,477.35	23,655.00	6.67%
2007	175,687.02	45,277.00	25.77%

**NOTE 6: FIXED ASSETS**

Capital asset activity for the year ended December 31, 2011, was as follows:

	Balance Dec. 31, 2010	Additions	Deletions	Balance Dec. 31, 2011
Land	81,000.00			81,000.00
Buildings & Improvements	576,500.00			576,500.00
Equipment	13,685.72			13,685.72
Vehicles	1,218,118.48			1,218,118.48
Total at Historical Cost	1,889,304.20	None		1,889,304.20
Less: Accumulated Depreciation				
Buildings & Improvements	(32,428.13)	(14,412.50)		(46,840.63)
Equipment	(8,667.62)	(2,737.14)		(11,404.76)
Vehicles	(330,582.90)	(109,239.50)		(439,822.40)
Total Accumulated Depreciation	(371,678.65)	(126,389.14)		(498,067.79)
Capital Assets, Net	1517625.55	(126,389.14)	None	1391236.41

**NOTE 7: COMPENSATED ABSENCES**

Full-time employees of the Fire District are entitled to receive paid vacation, sick leave, personal leave, and compensation time per the Gloucester County Uniformed Firefighters Association International Association of Fire Fighters Local 3592 union contract. Upon termination or retirement, employees are compensated at their current rate of pay for unused sick and vacation time in accordance with the above mentioned union contract.

MANTUA FIRE DISTRICT NO. 1  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2011 and 2010

**NOTE 7: COMPENSATED ABSENCES (CONTINUED)**

Unused sick leave may be accumulated and carried forward to the subsequent year. Full-time employees may also carry five days vacation over to the next year.

The Fire District compensates employees for unused vacation leave upon termination or retirement. The current policy provides that sick time accumulated for the years of service shall be sold back at the time of retirement at that year's rate.

The liability for vested compensated absences of the governmental fund types is recorded as long-term debt. The current portion of the compensated absence balance is not considered material to the applicable funds total liabilities, and is therefore not shown separately from the long-term liability balance of compensated absences. The value for accrued benefits at December 31, 2011 and 2010 is \$14,549.93 and \$18,921.72 respectively.

**NOTE 8: ECONOMIC DEPENDENCY**

The Township of Mantua Fire District No. 1 is not economically dependent on any one business or industry within the Township since a significant portion of the revenue is derived from taxation.

**NOTE 9: LENGTH OF SERVICE AWARD PROGRAM**

The Fire District adopted a length of service award program in accordance with Chapter 338 of the Laws of 1997. The length of service program is managed by the Township of Mantua through an interlocal agreement. The assets of the plan are held by an independent administrator, Lincoln Financial Advisors.

**NOTE 10: LONG-TERM OBLIGATIONS**

During the year ended December 31, 2011, the following changes occurred in long-term obligations:

	Balance Dec. 31, 2010	Increases	Decreases	Balance Dec. 31, 2011	Due in One Year
Obligations Under Capital					
Lease	142,585.89		48,868.02	93,717.87	45,850.48
Interlocal Services					
Agreement	641,246.67		86,800.00	554,446.67	108,899.00
Compensated Absences	18,921.72		4,371.79	14,549.93	
Total Governmental Activities					
Long-term Liabilities	<u>802,754.28</u>	None	<u>140,039.81</u>	<u>662,714.47</u>	<u>154,749.48</u>

**Bonds Authorized But Not Issued** - As of December 31, 2011, the Fire District did not have any authorizations for the issuance of debt, however through the interlocal services agreement with the Township of Mantua, and ordinance 2006-14, the Fire District has agreed to repay the Township for unfunded debt in the amount of \$66,299.00. Payments made in the year ended December 31, 2011 and 2010 were \$22,100.00. Future payments due on the unfunded debt for 2012 are \$22,099.00.

MANTUA FIRE DISTRICT NO. 1  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2011 and 2010

**NOTE 10: LONG-TERM OBLIGATIONS (CONTINUED)**

**Compensated Absences** - Compensated absences are accrued for two (2) full-time employees of the Township through an interlocal agreement with the Fire District and will be paid from the fund from which the employees' salaries are paid.

**Capital Leases Payable** - The Fire District is leasing two (2) 2008 Ford F-350 trucks and one (1) 2007 Seagrave Water Tender Fire Apparatus totaling \$275,518.00 under capital leases. The capital leases are a term of three (3) years and five (5) years, respectively. The lease for the trucks was paid off in 2011.

The following is a schedule of the future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at December 31, 2011:

Year Ending Dec. 31,	Principal	Interest	Total
2012	45,850.48	4,122.52	49,973.00
2013	47,867.39	2,105.61	49,973.00
Total	<u>93,717.87</u>	<u>6,228.13</u>	<u>99,946.00</u>

**Interlocal Services Agreement** - Effective January 1, 2007, the Fire District entered into an interlocal services agreement with the Township of Mantua for the transfer of assets to the Fire District. In consideration of the assets transferred to the Fire District, the Fire District entered into an agreement to pay the Township over sixteen (16) years, commencing on or before December 31, 2007, with the final payment being made on or before December 31, 2022. The Fire District's 2007 adopted budget included the amount due in 2007 as capital lease payments. Subsequently, the principal and interest payments due were budgeted in the adopted budgets as an intergovernmental loan and notes authorized but not issued. The following is a schedule of future payments due:

Year Ending Dec. 31,	Principal	Interest	Total
2012	108,899.00	21,508.00	130,407.00
2013	88,370.00	18,323.00	106,693.00
2014	88,370.00	14,767.00	103,137.00
2015	73,420.00	11,378.00	84,798.00
2016	73,420.00	8,493.68	81,913.68
2017-2021	141,627.67	10,620.27	152,247.94
2022	2,439.00	115.85	2,554.85
Total	<u>576,545.67</u>	<u>85,205.80</u>	<u>661,751.47</u>

MANTUA FIRE DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011 and 2010

**NOTE 11: PENSION FUNDS**

**Description of Plans** - All eligible employees of the Fire District are covered by the Police and Firemen's Retirement System (P.F.R.S.), a cost-sharing, multiple-employer defined benefit pension plan which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Police and Firemen's Retirement System. The reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625 or can be accessed on the internet at [http://www.state.nj.us/treasury/pensions/annrpts\\_archieve.htm](http://www.state.nj.us/treasury/pensions/annrpts_archieve.htm).

**Police and Firemen's Retirement System (P.F.R.S.)** - The Police and Firemen's Retirement System was established in July 1944 under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full-time county or municipal police and fire-fighters and State fire-fighters appointed after June 30, 1944. Enrollment is required for permanent, full-time employees appointed to positions in law enforcement or fire fighting in the State of New Jersey. Members are eligible for retirement at age fifty-five with a benefit equal to two percent of final compensation for each year of creditable service up to twenty years. Members with at least twenty years but less than twenty-five years of service credit will receive fifty percent of final compensation. Special retirement is available at any age to those with twenty-five years of service credit. The annual benefit calculation is equal to sixty-five percent of final compensation plus one percent for each year of creditable service over twenty-five years but not to exceed thirty years.

**Funding Policy** - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997, and N.J.S.A. 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. P.F.R.S. provides for employee contributions of 8.5% and 10% effective October 1, 2011, of employees' annual compensation, as defined. Employers are required to contribute annually at an actuarially determined rate for P.F.R.S. The P.F.R.S. rate in effect for 2011 is 29.36%. The actuarially determined contribution includes funding for, cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

**Contributions and Accrued Liability** - Per the interlocal services agreement with the Township, the Fire District is to be billed annually for its normal contribution, plus any accrued liability, by the Township of Mantua, who maintains, administers, and reports to the State of New Jersey all required pension information on behalf of the Fire District. For the years ended December 31, 2011, 2010 and 2009, the Fire District was not billed for its contributions or accrued liability to the aforementioned pension plans.



MANTUA FIRE DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011 and 2010

**NOTE 12: LABOR CONTRACTS**

As of December 31, 2011, the Fire District's employees are organized in the following collective bargaining units. Contracts are continually being negotiated the following table shows their current status.

AFL-CIO-CLC #3592	Firefighter	Expiration 12/31/2013
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**NOTE 13: HEALTH BENEFITS**

The adoption of Chapter 2 of P.L. 2010 implemented requirements for all local units to begin collecting 1.5% of employee salaries to offset employer health care costs. Employees covered by collectively bargained contracts in effect at the time of adoption of the new law do not start contributions until the end of the contract term. The Firefighter AFL-CIO-CLC #3592 contract began March 5, 2007, and ended December 31, 2010. Employees in this bargaining unit began contributions to health care costs on January 1, 2011.

**NOTE 14: POST-RETIREMENT BENEFITS**

**Plan Description** - The Fire District contributes to the State Health Benefits Program (S.H.B.P.), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. S.H.B.P. was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. S.H.B.P. provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents. The S.H.B.P. was extended to employees, retirees, and dependents of participating local public employers in 1964. The Fire District participates in the SHBP through an interlocal agreement with the Township of Mantua. The plan provides fully-insured medical and prescription drug coverage to eligible retirees and their spouses.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the S.H.B.P. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the S.H.B.P. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at [www.state.nj.us/treasury/pensions/pdf/financial/gasb-43-aug2010.pdf](http://www.state.nj.us/treasury/pensions/pdf/financial/gasb-43-aug2010.pdf).

**Funding Policy** - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

MANTUA FIRE DISTRICT NO. 1  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2011 and 2010

**NOTE 14: POST-RETIREMENT BENEFITS (CONTINUED)**

**Funding Policy** (Continued) - The contribution rate of participating governmental entities is based on the annual required contribution (A.R.C.), an amount actuarially determined in accordance with the parameters of G.A.S.B. Statement 45. The A.R.C. represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs not to exceed thirty years. As of December 31, 2011 there were no participants eligible to receive benefits. As a result, for the years ended December 31, 2011, 2010 and 2009, the Fire District did not contribute to the S.H.B.P. for retirees.

**NOTE 15: RISK MANAGEMENT**

The Fire District is exposed to various risks or loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

**Joint Insurance Fund** - The Township of Mantua is a member of the Gloucester, Salem, and Cumberland County Municipal Joint Insurance Fund, and the Fire District is covered through an interlocal agreement with the Township of Mantua.

**NOTE 16: PROPERTY TAX LEVIES**

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

<u>Year</u>	<u>Assessed Valuation</u>	<u>Total Tax Levy</u>	<u>Tax Rate</u>
2011	771,898,451	741,617	\$0.097
2010	768,934,869	776,376	\$0.101
2009	765,399,573	765,397	\$0.100
2008	755,410,658	727,623	\$0.097
2007	735,939,109	727,623	\$0.099

**NOTE 17: SUBSEQUENT EVENTS**

The Fire District has evaluated subsequent events through April 16, 2012, the date which the financial statements were available to be issued and no additional items were noted for disclosure.

**NOTE 18: CONTINGENCIES**

It is the Mantua Fire District No.1's Counsel's opinion that there is no pending litigation against the Fire District.

**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

# PETRONI & ASSOCIATES LLC

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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Chairman and Members  
of the Fire District  
Mantua Township Fire District No. 1  
401 Main Street  
Mantua, New Jersey 08051

We have audited the financial statements of the Mantua Township Fire District No. 1; a component unit of the Township of Mantua, in the County of Gloucester, State of New Jersey, as of and for the year ended December 31, 2011, and have issued our report thereon dated April 16, 2012. We conducted our audit 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 audit requirements as prescribed by the Local Finance Board and the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division").

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Mantua Township Fire District No. 1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mantua Township Fire District No. 1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Mantua Township Fire District No. 1's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Mantua Township Fire District No.1, New Jersey'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the requirements of the Division of Local Government Services which are described in the accompanying schedule of findings and recommendations as item 2011-1.

This report is intended solely for the information and use of management, the Board of Commissioners, federal and state awarding agencies and pass-through entities and the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not intended to be and should not be used by anyone other than these specified parties.

PETRONI & ASSOCIATES LLC



Nick L. Petroni  
Certified Public Accountant  
Registered Municipal Accountant #252

April 16, 2012

MANTUA TOWNSHIP FIRE DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget			Actual	Variance of Actual Data to Budget	
	Original	Transfers	Final		Dollars	%
<b>REVENUES</b>						
Miscellaneous Revenues Offset with Appropriations:						
Uniform Fire Safety Act (P.L. 1983, Ch. 383)						
Annual Registration Fees	25,000.00		25,000.00	22,111.41	(2,888.59)	-11.55%
Amount to be Raised by Taxation	552,758.00		552,758.00	552,758.00		
Amount to be Raised by Taxation - Debt Service	188,859.00		188,859.00	188,859.00		
<b>Total Anticipated Revenues</b>	<b>766,617.00</b>		<b>766,617.00</b>	<b>763,728.41</b>	<b>(2,888.59)</b>	<b>-0.38%</b>
Non-Budgetary Revenues:						
Sale of Assets				4,600.00	4,600.00	
Miscellaneous Revenue				1,848.49	1,848.49	
Interest on Investments				1,502.80	1,502.80	
Rental Income				14,077.00	14,077.00	
Dedicated Penalties				200.00	200.00	
<b>Total Non-Budgetary Revenues</b>				<b>22,228.29</b>	<b>22,228.29</b>	
<b>Total Revenues</b>	<b>766,617.00</b>		<b>766,617.00</b>	<b>785,956.70</b>	<b>19,339.70</b>	<b>2.52%</b>
<b>EXPENDITURES</b>						
Operating Appropriations:						
Administration:						
Salaries and Wages:						
Part-Time Secretary	6,000.00		6,000.00	3,482.15	2,517.85	41.96%
Fringe Benefits	500.00		500.00	303.49	196.51	39.30%
Other Expenses:						
Professional Services	35,000.00	(5,000.00)	30,000.00	24,680.38	5,319.62	17.73%
Office Expenses	6,500.00		6,500.00	5,959.25	540.75	8.32%
Advertising	2,500.00		2,500.00	697.90	1,802.10	72.08%
Intergovernmental Services (Mantua Township)	20,000.00		20,000.00	20,000.00		
Stipends - Fire Commissioners	2,500.00		2,500.00	2,500.00		
Other Expenses	10,000.00	(5,000.00)	5,000.00	2,364.27	2,635.73	52.71%
Election	2,500.00		2,500.00	1,516.00	984.00	39.36%
<b>Total Administration</b>	<b>85,500.00</b>	<b>(10,000.00)</b>	<b>75,500.00</b>	<b>61,503.44</b>	<b>13,996.56</b>	<b>18.54%</b>

MANTUA TOWNSHIP FIRE DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget			Actual	Variance of Actual Data to Budget	
	Original	Transfers	Final		Dollars	%
Operating Appropriations						
Cost of Operations & Maintenance						
Salaries and Wages:						
Firefighters	125,000.00		125,000.00	116,493.69	8,506.31	6.81%
Part-Time Casual Help	75,058.00		75,058.00	70,622.73	4,435.27	5.91%
Overtime	5,000.00		5,000.00	3,575.57	1,424.43	28.49%
Other Pay - Clothing Allowance	1,200.00		1,200.00	995.90	204.10	17.01%
Fringe Benefits:						
Employee Group Health Insurance	25,000.00		25,000.00	25,000.00		
Other Fringe Benefits	20,000.00		20,000.00	15,724.40	4,275.60	21.38%
Other Expenses:						
Insurance	70,000.00		70,000.00	66,294.20	3,705.80	5.29%
Physicals, Vaccinations and Fit Testing	10,000.00		10,000.00	5,213.00	4,787.00	47.87%
Fuel	19,833.40	2,000.00	21,833.40	12,195.48	9,637.92	44.14%
Vehicle Maintenance and Repairs	41,580.55	(5,000.00)	36,580.55	24,936.70	11,643.85	31.83%
Uniforms and Turnout Gear	16,315.00	17,000.00	33,315.00	32,609.17	705.83	2.12%
Training and Education	8,000.00	(2,000.00)	6,000.00	3,985.00	2,015.00	33.58%
Communication Repairs/Leases	5,000.00	(2,000.00)	3,000.00	2,136.90	863.10	28.77%
Reimbursements	1,000.00		1,000.00	405.25	594.75	59.48%
Fire Prevention	5,000.00		5,000.00	4,451.02	548.98	10.98%
Building Maintenance	90,000.00	(5,000.00)	85,000.00	73,633.01	11,366.99	13.37%
Computer Technology Support	7,000.00		7,000.00	6,684.92	315.08	4.50%
Equipment Repairs	10,000.00		10,000.00	6,831.89	3,168.11	31.68%
Utilities	50,000.00		50,000.00	40,200.21	9,799.79	19.60%
Other Assets - Non Bondable						
Communication Equipment	14,327.71		14,327.71	12,236.34	2,091.37	14.60%
Station Equipment	10,000.00	5,000.00	15,000.00	3,264.61	11,735.39	78.24%
Total Cost of Operations & Maintenance	609,314.66	10,000.00	619,314.66	527,489.99	91,824.67	14.83%
Total Expenditures	694,814.66		694,814.66	588,993.43	105,821.23	

MANTUA TOWNSHIP FIRE DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget			Actual	Variance of Actual Data to Budget	
	Original	Transfers	Final		Dollars	%
Other Financing Sources (Uses)						
Debt Service						
Intergovernmental Loans						
Principal	(108,900.00)		(108,900.00)	(108,900.00)		
Interest	(24,973.00)		(24,973.00)	(24,973.00)		
Capital Leases						
Principal	(48,857.00)	(12.00)	(48,869.00)	(48,868.02)	(0.98)	0.00%
Interest	(6,129.00)	12.00	(6,117.00)	(6,116.34)	(0.66)	0.01%
Total Other Financing Sources (Uses)	<u>(188,859.00)</u>		<u>(188,859.00)</u>	<u>(188,857.36)</u>	<u>(1.64)</u>	<u>0.00%</u>
Excess (deficiency) of Revenues and Other Financing Sources Over (under) Expenditures and Other Financing Uses	(117,056.66)		(117,056.66)	8,105.91	(86,483.17)	
Fund Balances - January 1	<u>562,802.36</u>		<u>562,802.36</u>	<u>562,802.36</u>		
Fund Balances- December 31	<u>445,745.70</u>		<u>445,745.70</u>	<u>570,908.27</u>	<u>(86,483.17)</u>	
<b>Recapitulation:</b>						
Unassigned				518,643.11		
Assigned						
Year-end Encumbrances				20,859.22		
Dedicated Penalties				1,405.94		
Designated for Subsequent Year's Expenditures				30,000.00		
				<u>570,908.27</u>		



MANTUA TOWNSHIP FIRE DISTRICT NO. 1  
 SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASE  
 FOR THE YEAR ENDED DECEMBER 31, 2011

Description	Date of Lease	Term of Lease	Amount of Original Issue		Amount Outstanding	Retired Current	Amount Outstanding
			Principal	Interest	Jan. 1, 2011	Year	Dec. 31, 2011
(1) 2008 Ford F-350 w/ Plow and (1) 2008 Ford F-350	06/04/08	3 years	55,518	4,619	4,949.45	4,949.45	
(1) 2007 Seagrave Water Tender Fire Apparatus	12/01/08	5 years	220,000	29,865	137,636.44	43,918.57	93,717.87
					<u>142,585.89</u>	<u>48,868.02</u>	<u>93,717.87</u>

MANTUA TOWNSHIP FIRE DISTRICT NO. 1  
 SCHEDULE OF INTERLOCAL LOANS PAYABLE  
 FOR THE YEAR ENDED DECEMBER 31, 2011

Date of Issue	Amount of Issue	Description	Balance Jan. 1, 2011	Decreased	Balance Dec. 31, 2011
01/01/07	1,045,000	Interlocal Service Agreement	641,246.67	86,800.00	554,446.67

Schedule of Annual Loan Payments		
Year	Annual Payment	Annual Principal
2012	130,407.00	108,899.00
2013	106,693.00	88,370.00
2014	103,137.00	88,370.00
2015	84,798.00	73,420.00
2016	81,914.00	73,420.00
2017	80,311.00	74,619.00
2018	33,344.00	30,620.00
2019	33,154.00	31,529.00
2020	2,777.00	2,430.00
2021	2,661.00	2,430.00
2022	2,555.00	2,439.00

## **GENERAL COMMENTS**

### **Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4**

N.J.S.A. 40A:11-4 states "Every contract or agreement awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law."

The Fire District has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the calendar year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishings of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violations existed.

Our examination of expenditures did reveal individual payments, contracts or agreements in excess of the bid threshold "for the performance of any work or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisements or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-6.

The Fire District did not pass a resolution approving the purchase of a vehicle, in excess of the bid threshold as established by NJAC 5:34-7.29, through the State Cooperative Purchasing Program.

## **OTHER COMMENTS**

### **Cash Management Program**

The Fire District has adopted a cash management plan. The District deposits money in accordance with N.J.A.C. 5:31-3.1. The investment of Fire District funds is in interest bearing accounts and monthly cash management reports are prepared.

The fees, permits and fines collected by the Fire Marshall's office were deposited within 48 hours as required by N.J.A.C. 5:31-3.1(b).

### **Accounting System**

A general ledger has been established by the Fire District and is working effectively.

### **Fixed Assets**

A fixed asset accounting and reporting system has been established by the Fire District and is working effectively.

**Corrective Action Plan**

A corrective action plan was not filed for the year 2010.

**STATUS OF PRIOR RECOMMENDATIONS**

The following finding appears in prior reports and corrective action has been fully implemented.

2010-1 Finding: For one contract awarded under the State Cooperative Purchasing Program, the governing body did not adopt a resolution awarding such contract.

**FINDINGS AND RECOMMENDATIONS**

2011-1: Finding: A corrective action plan was not filed for the 2010 audit.

Recommendation: A corrective action plan be filed as required by NJAC 5:31-7.6.

**Acknowledgment**

We received the complete cooperation of all the officials of the Fire District and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

PETRONI & ASSOCIATES LLC



Nick L. Petroni  
Certified Public Accountant  
Registered Municipal Accountant #252