



MONMOUTH COUNTY, NEW JERSEY
Financial Statements
December 31, 2022 and 2021
With Independent Auditor's Reports

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
December 31, 2022 and 2021

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MANALAPAN TOWNSHIP FIRE DISTRICT #2

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the financial performance of the Township of Manalapan Fire District No. 2, Monmouth County, New Jersey (the "District"), provides an overview of the District's financial activities for the years ended December 31, 2022 and 2021.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statements of net position and statements of activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities, these statements tell how District services were financed in the short-term as well as what remains for future spending. The governmental funds balance sheets and the statements of revenues, expenditures, and changes in governmental fund balances report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

Financial Highlights:

- The assets of the District exceeded its liabilities at December 31, 2022 by approximately \$5,895,000. In 2021 the excess was approximately \$5,489,000. This is an increase of approximately \$406,000.
- During 2022 the District operated at a surplus of approximately \$406,000. The surplus in 2021 was approximately \$482,000. This is a decrease of approximately \$76,000.
- The District decreased their liabilities by approximately \$177,000 in 2022 and increased their assets by approximately \$229,000.

Reporting on the District as a Whole

Government-Wide Financial Statements

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 the statements of activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. The District's net position - the difference between assets and liabilities - is 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. Other nonfinancial factors, such as changes in the District's property tax base and the condition of the District's equipment, should be considered in assessing the overall health of the District.

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.

MANALAPAN TOWNSHIP FIRE DISTRICT #2

Management's Discussion and Analysis

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 the 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. The District describes the relationship (or differences) between fund balances and net change in fund balances, reported on the modified accrual basis of accounting, and net position and change in net position, reported on the accrual basis of accounting in the notes to the 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.

MANALAPAN TOWNSHIP FIRE DISTRICT #2
Management's Discussion and Analysis

THE DISTRICT AS A WHOLE

Statements of Net Position

For the years ended December 31, 2022 and 2021, net position changed as follows:

	2022 Total	Increase (Decrease) Over 2021	Percentage Increase (Decrease)
Assets			
Current and other assets	\$ 4,293,677	\$ 344,125	8.71%
Capital assets	2,673,916	(121,515)	-4.35%
Deferred outflows of resources	49,927	28,129	129.04%
Total assets and deferred outflows of resources	\$ 7,017,520	\$ 250,739	3.71%
Liabilities			
Total liabilities	\$ 1,012,631	\$ (105,062)	-9.40%
Deferred inflows of resources	88,509	(71,680)	-44.75%
Total liabilities and deferred inflows of resources	1,101,140	(176,742)	-13.83%
Net position			
Net investment in capital assets	2,187,504	(36,457)	-1.64%
Restricted for capital acquisitions	1,341,583	5,086	0.38%
Unrestricted	2,387,293	458,851	23.79%
Total net position	5,916,380	427,480	7.79%
Total liabilities, deferred inflows of resources, and net position	\$ 7,017,520	\$ 250,738	3.71%

In the current year, the District's net position increased by approximately \$406,000 mainly due to the increase of current assets, specifically, cash on hand and investments.

MANALAPAN TOWNSHIP FIRE DISTRICT #2

Management's Discussion and Analysis

	2021 Total	Increase (Decrease) Over 2020	Percentage Increase (Decrease)
Assets			
Current and other assets	\$ 3,949,552	\$ (367,705)	-8.52%
Capital assets - net	2,795,431	(67,285)	-2.35%
Deferred outflows of resources	21,798	(28,463)	-56.63%
Total assets and deferred outflows of resources	\$ 6,766,781	\$ (463,453)	-6.41%
Liabilities			
Total liabilities	\$ 1,117,692	\$ (1,022,803)	-47.78%
Deferred inflows of resources	160,189	51,200	46.98%
Total liabilities and deferred inflows of resources	1,277,881	(971,603)	-43.19%
Net position			
Net investment in capital assets	2,223,961	38,308	1.75%
Restricted for capital acquisitions	1,336,497	7,407	0.56%
Unrestricted	1,928,442	462,435	31.54%
Total net position	5,488,900	508,150	10.20%
Total liabilities, deferred inflows of resources, and net position	\$ 6,766,781	\$ (463,453)	-6.41%

In 2021, the District's net position increased by approximately \$508,000 mainly due to the decrease in liabilities, such as bonds payable and due to increase to cash on hand and investments.

Statements of Activities

For the year ended December 31, 2022, the District experienced a decrease in total revenue of approximately \$58,000 or 4%. The majority of the decrease is related to a decrease in collected tax revenue and a decrease in interest income.

	2022 Total	Percentage of Total Revenues	Increase (Decrease) Over 2021	Percentage Increase (Decrease)
Revenues				
District taxes	\$ 1,370,526	98.87%	\$ (42,879)	-3.03%
Supplemental fire services grant	2,631	0.19%	-	0.00%
Interest income	13,757	0.99%	(10,861)	-44.12%
Miscellaneous income	161	0.01%	(4,039)	-96.17%
Gain (Loss) on disposition of fixed assets	(900)	(0.06%)	277	23.53%
Total revenues	\$ 1,386,175	100%	\$ (57,502)	-3.98%

MANALAPAN TOWNSHIP FIRE DISTRICT #2

Management's Discussion and Analysis

Some expenditures are contractual in nature and because of market fluctuations, they can vary from year to year depending on the circumstances. For the year ended December 31, 2022, the District experienced an increase in total expenditures of approximately \$19,000 or 2% due mainly to the increase in professional services, travel expenses and pension expense, offset by a decrease in maintenance and repairs, and purchase of assets not included as capital outlays.

	<u>2022 Total</u>	<u>Percentage of Total Expenditures</u>	<u>Increase (Decrease) Over 2021</u>	<u>Percentage Increase (Decrease)</u>
Expenditures				
Salaries and wages	\$ 152,569	15.91%	\$ (5,768)	-3.64%
Fringe benefits	51,993	5.42%	(1,675)	-3.12%
Election	3,139	0.33%	226	7.76%
Dues	875	0.09%	(1,416)	-61.81%
Office expenses and supplies	32,055	3.34%	7,500	30.54%
Professional services	96,323	10.05%	22,843	31.09%
Travel expenses	18,315	1.91%	12,189	198.97%
Communication expenses	24,949	2.60%	2,258	9.95%
Purchase of assets not included as capital outlays	1,381	0.14%	(15,662)	-91.90%
Promotion	547	0.06%	442	420.95%
Insurance	128,618	13.42%	6,447	5.28%
Maintenance and repairs	43,627	4.55%	(39,349)	-47.42%
Contractual	74,257	7.75%	3,148	4.43%
Other rental charges	144,174	15.04%	5,545	4.00%
Contingent expenses	-	0.00%	-	100.00%
Uniforms	2,337	0.24%	(5,394)	-69.77%
Training	2,100	0.22%	1,650	366.67%
Computer expenses	20,630	2.15%	(2,855)	-12.16%
Communication equipment	874	0.09%	(519)	-37.26%
First Aid	-	0.00%	-	100.00%
Interest on serial bonds	13,567	1.42%	(3,720)	-21.52%
Depreciation expense	180,868	18.87%	4,988	2.84%
Pension expense, net	<u>(34,503)</u>	<u>-3.60%</u>	<u>6,659</u>	<u>100.00%</u>
 Total expenditures	 <u>\$ 958,695</u>	 <u>100%</u>	 <u>\$ (2,463)</u>	 <u>-0.26%</u>

For the year ended December 31, 2021, the District experienced a decrease in total revenue of approximately \$76,000 or 5%. The majority of the decrease is related to a decrease in collected tax revenue and miscellaneous income.

	<u>2021 Total</u>	<u>Percentage of Total Revenues</u>	<u>Increase (Decrease) Over 2020</u>	<u>Percentage Increase (Decrease)</u>
Revenues				
District taxes	\$ 1,413,405	97.90%	\$ (45,437)	-3.11%
Supplemental fire services grant	2,631	0.18%	-	0.00%
Interest income	24,618	1.71%	(5,249)	-17.57%
Miscellaneous income	4,200	0.29%	(19,781)	-82.49%
Gain on disposition of fixed assets	<u>(1,177)</u>	<u>(0.08%)</u>	<u>(5,864)</u>	<u>-125.11%</u>
 Total revenues	 <u>\$ 1,443,677</u>	 <u>100%</u>	 <u>\$ (76,331)</u>	 <u>-5.02%</u>

MANALAPAN TOWNSHIP FIRE DISTRICT #2

Management's Discussion and Analysis

Some expenditures are contractual in nature and because of market fluctuations, they can vary from year to year depending on the circumstances. For the year ended December 31, 2021, the District experienced a decrease in total expenditures of approximately \$23,000 or 2% due mainly to the decrease in pension expense and depreciation expense, offset by increases in purchase of assets not included as capital outlays, salaries and wages, office expense, travel expenses, maintenance and repairs, and uniforms.

	<u>2021</u> <u>Total</u>	<u>Percentage</u> <u>of Total</u> <u>Expenditures</u>	<u>Increase</u> <u>(Decrease)</u> <u>Over 2020</u>	<u>Percentage</u> <u>Increase</u> <u>(Decrease)</u>
Expenditures				
Salaries and wages	\$ 158,337	16.47%	\$ 10,764	7.29%
Fringe benefits	53,668	5.58%	(3,331)	-5.84%
Election	2,913	0.30%	(20)	-0.68%
Dues	2,291	0.24%	(504)	-18.03%
Office expenses and supplies	24,555	2.55%	4,842	24.56%
Professional services	73,480	7.64%	465	0.64%
Travel expenses	6,126	0.64%	6,126	100.00%
Communication expenses	22,691	2.36%	(428)	-1.85%
Purchase of assets not included as capital outlays	17,043	1.77%	15,893	1382.00%
Promotion	105	0.01%	(257)	-70.99%
Insurance	122,171	12.71%	3,411	2.87%
Maintenance and repairs	82,976	8.63%	8,347	11.18%
Contractual	71,109	7.40%	-	0.00%
Other rental charges	138,629	14.45%	-	0.00%
Uniforms	7,731	0.80%	7,006	966.34%
Training	450	0.05%	(2,044)	-81.96%
Computer expenses	23,485	2.44%	5,387	29.77%
Communication equipment	1,393	0.14%	1,393	100.00%
Interest on serial bonds	17,287	1.80%	(4,287)	-19.87%
Depreciation expense	175,880	18.30%	(34,300)	-16.32%
Pension expense, net	<u>(41,162)</u>	<u>(4.28%)</u>	<u>(41,434)</u>	-15233.09%
 Total expenditures	 <u>\$ 961,158</u>	 <u>100%</u>	 <u>\$ (22,971)</u>	 -2.33%

THE DISTRICT'S FUNDS

The general fund is mainly to provide fire protection to its residents, to educate the public as to fire prevention and precautions, 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.

MANALAPAN TOWNSHIP FIRE DISTRICT #2

Management's Discussion and Analysis

The following schedule presents a summary of General and Capital Fund revenues and expenditures for the fiscal years ended December 31, 2022 and 2021 and the amount and percentage of increases and decreases in relation to the prior years.

Governmental Funds Balance Sheets

	<u>General Fund Activities</u>	<u>Capital Fund Activities</u>	<u>2022 Total</u>	<u>Increase (Decrease) Over 2021</u>	<u>Percentage Increase (Decrease)</u>
Assets					
Current and other assets	\$ 2,952,094	2,211,584	<u>\$ 5,163,678</u>	<u>\$ 502,532</u>	10.78%
Liabilities					
	1,196,772	-	<u>1,196,772</u>	<u>96,190</u>	8.74%
Fund Balance					
Committed			2,211,584	163,493	7.98%
Assigned			715,726	109,486	18.06%
Unassigned			<u>1,039,596</u>	<u>133,363</u>	14.72%
Total fund balance			<u>3,966,906</u>	<u>406,342</u>	11.41%
Total liabilities and fund balance			<u>\$ 5,163,678</u>	<u>\$ 502,532</u>	10.78%
	<u>General Fund Activities</u>	<u>Capital Fund Activities</u>	<u>2021 Total</u>	<u>Increase (Decrease) Over 2020</u>	<u>Percentage Increase (Decrease)</u>
Assets					
Current and other assets	\$ 2,613,055	\$ 2,048,091	<u>\$ 4,661,146</u>	<u>\$ 32,620</u>	0.70%
Liabilities					
	1,100,582	-	<u>1,100,582</u>	<u>(694,130)</u>	-38.68%
Fund Balance					
Committed			2,048,091	527,312	34.67%
Assigned			606,240	146,741	31.93%
Unassigned			<u>906,233</u>	<u>474,039</u>	109.68%
Total fund balance			<u>3,560,564</u>	<u>1,148,092</u>	47.59%
Total liabilities and fund balance			<u>\$ 4,661,146</u>	<u>\$ 453,962</u>	10.79%

MANALAPAN TOWNSHIP FIRE DISTRICT #2

Management's Discussion and Analysis

Statements of Revenues, Expenditures, and Changes in Governmental Fund Balances

	2022 Amount	Percentage of Total Revenues	Increase (Decrease) Over 2021	Percentage Increase (Decrease)
Revenues				
District taxes	\$ 1,370,526	98.81%	\$ (42,879)	-3.03%
Supplemental fire services grant	2,631	0.20%	-	0.00%
Interest income	13,757	0.98%	(10,861)	-44.12%
Miscellaneous income	161	0.01%	(4,039)	-96.17%
Total revenues	\$ 1,387,075	100.00%	\$ (57,779)	-4.00%
	2022 Amount	Percentage of Total Expenditures	Increase (Decrease) Over 2021	Percentage Increase (Decrease)
Expenditures				
Salaries and wages	\$ 152,569	15.93%	\$ (5,768)	-3.64%
Fringe benefits	51,993	5.43%	(1,677)	-3.12%
Election	3,139	0.33%	226	7.76%
Dues	875	0.09%	(1,416)	-61.81%
Office expenses and supplies	32,055	3.35%	7,500	30.54%
Professional services	96,323	10.06%	22,843	31.09%
Travel expenses	18,315	1.91%	12,189	198.97%
Communication expenses	24,949	2.61%	2,258	9.95%
Purchase of assets not included as capital outlays	13,559	1.42%	(22,332)	-62.22%
Promotion	547	0.06%	442	420.95%
Insurance	128,618	13.43%	6,447	5.28%
Maintenance and repairs	72,649	7.59%	(10,327)	-12.45%
Contractual	74,257	7.75%	3,148	4.43%
Other rental charges	144,174	15.06%	5,545	4.00%
Contingent expenses	-	0.00%	-	100.00%
Uniforms	14,870	1.55%	5,215	54.01%
Training	2,100	0.22%	1,650	366.67%
Computer expenses	23,088	2.41%	(396)	-1.69%
Communication equipment	3,435	0.36%	2,042	146.59%
Principal payments on serial bonds	75,000	7.83%	5,000	7.14%
Interest on serial bonds	23,625	2.47%	(3,625)	-13.30%
Capital appropriations	1,500	0.16%	1,500	100.00%
Total expenditures	\$ 957,640	100%	\$ 30,464	3.00%

MANALAPAN TOWNSHIP FIRE DISTRICT #2

Management's Discussion and Analysis

	2021 Amount	Percentage of Total Revenues	Increase (Decrease) Over 2020	Percentage Increase (Decrease)
Revenues				
District taxes	\$ 1,413,405	97.82%	\$ (45,437)	-3.11%
Supplemental fire services grant	2,631	0.18%	-	0.00%
Interest income	24,618	1.70%	(5,249)	-17.57%
Miscellaneous income	4,200	0.29%	(19,781)	-82.49%
Total revenues	\$ 1,444,854	100%	\$ (70,467)	-4.65%
	2021 Amount	Percentage of Total Expenditures	Increase (Decrease) over 2020	Percentage Increase (Decrease)
Expenditures				
Salaries and wages	\$ 158,337	15.58%	\$ 10,764	7.29%
Fringe benefits	53,670	5.28%	(3,329)	-5.84%
Election	2,913	0.29%	(20)	-0.68%
Dues	2,291	0.23%	(504)	-18.03%
Office expenses and supplies	24,555	2.42%	4,843	24.57%
Professional services	73,480	7.23%	465	0.64%
Travel expenses	6,126	0.60%	6,126	100.00%
Communication expenses	22,691	2.23%	(428)	-1.85%
Purchase of assets not included as capital outlays	35,891	3.53%	7,334	25.68%
Promotion	105	0.01%	(257)	-70.99%
Insurance	122,171	12.02%	3,411	2.87%
Maintenance and repairs	82,976	8.17%	8,347	11.18%
Contractual	71,109	7.00%	-	0.00%
Other rental charges	138,629	13.64%	-	0.00%
Contingent expenses	-	-%	-	100.00%
Uniforms	9,655	0.95%	(30,232)	-75.79%
Training	450	0.04%	(2,044)	-81.96%
Computer expenses	23,484	2.31%	5,386	29.76%
Communication equipment	1,393	0.14%	(14,915)	-91.46%
Principal payments serial bonds	70,000	6.89%	(65,000)	-48.15%
Interest on serial bonds	27,250	2.68%	3,670	15.56%
Capital appropriations	89,000	8.76%	(211,000)	-70.33%
Total expenditures	\$ 1,016,176	100%	\$ (277,383)	-21.44%

MANALAPAN TOWNSHIP FIRE DISTRICT #2

Management's Discussion and Analysis

GENERAL FUND AND BUDGETARY HIGHLIGHTS

The budget relied on the expectation of a decrease in district taxes. For 2022, the district tax levy decreased, which produced a decrease in tax revenue of approximately \$43,000. For 2021, the district tax levy decreased, resulting in an increase in tax revenue of approximately \$45,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

For the years ended December 31, 2022 and 2021, capital assets changed as follows:

	<u>2021</u> <u>Total</u>	<u>Additions/ Transfer In</u>	<u>Disposals/ Transfer Out</u>	<u>2022</u> <u>Total</u>	<u>Percentage Increase (Decrease)</u>
Capital assets					
Land	\$ 379,221	\$ -	\$ -	\$ 379,221	0.00%
Land improvements	41,682	-	-	41,682	0.00%
Leasehold improvements	1,630,837	-	-	1,630,837	0.00%
Equipment	1,087,902	38,750	(29,821)	1,096,831	0.82%
Trucks and vehicles	<u>2,819,467</u>	<u>-</u>	<u>-</u>	<u>2,819,467</u>	0.00%
	5,959,109	38,750	(29,821)	5,968,038	0.15%
Accumulated depreciation	<u>3,163,678</u>	<u>180,868</u>	<u>(28,921)</u>	<u>3,315,625</u>	4.80%
Capital assets, net	<u>\$ 2,795,431</u>	<u>\$ (142,118)</u>	<u>\$ (900)</u>	<u>\$ 2,652,413</u>	-5.12%

	<u>2020</u> <u>Total</u>	<u>Additions/ Transfer In</u>	<u>Disposals/ Transfer Out</u>	<u>2021</u> <u>Total</u>	<u>Percentage Increase (Decrease)</u>
Capital assets					
Land	\$ 379,221	\$ -	\$ -	\$ 379,221	0.00%
Land improvements	41,682	-	-	41,682	0.00%
Leasehold improvements	1,630,837	-	-	1,630,837	0.00%
Equipment	995,847	109,772	(17,717)	1,087,902	9.24%
Trucks and vehicles	<u>2,819,467</u>	<u>-</u>	<u>-</u>	<u>2,819,467</u>	0.00%
	5,867,054	109,772	(17,717)	5,959,109	1.57%
Accumulated depreciation	<u>3,004,338</u>	<u>175,880</u>	<u>(16,540)</u>	<u>3,163,678</u>	5.30%
Capital assets, net	<u>\$ 2,862,716</u>	<u>\$ (66,108)</u>	<u>\$ (1,177)</u>	<u>\$ 2,795,431</u>	-2.35%

MANALAPAN TOWNSHIP FIRE DISTRICT #2

Management's Discussion and Analysis

Debt

At year end, the District had \$478,256 in debts outstanding versus \$561,907 last year – a decrease of \$83,651.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

With the decrease in district taxes experienced this year, next year's general fund budget was determined based on a decrease due to a decrease in the district tax base and 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 Clerk's office at P.O. Box 54, Tennent, New Jersey, 07763.

INDEPENDENT AUDITOR'S REPORT

To the Board of Fire Commissioners,
Township of Manalapan Fire District No. 2
Monmouth County, New Jersey:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, and each fund of the Township of Manalapan Fire District No. 2, Monmouth County, New Jersey (the "District") as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinions, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, and each fund of Township of Manalapan Fire District No. 2, Monmouth County, New Jersey as of and for the years ended December 31, 2022 and 2021, 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.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") 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 State of New Jersey, Division of Local Government Services, Department of Community Affairs. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter

As discussed in Note 13 in the notes to the financial statements, the prior year ending capital fund balance and overall net position were understated relating to the understatement of capital appropriations and presentation of Improvement Authorizations as of December 31, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the district's proportionate share of the net pension liability – Public Employees' Retirement System (PERS), schedule of the district's contributions – Public Employees' Retirement System (PERS), and schedule of revenues, expenditures, and changes in fund balances - budget and actual all governmental fund types and related notes, as presented in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to

express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise The District'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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2023 on our consideration of the Township of Manalapan Fire District No. 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 effectiveness of 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 the Township of Manalapan Fire District No. 2's internal control over financial reporting and compliance.

September 13, 2023

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Statements of Governmental Funds Balance Sheet and Net Position
December 31, 2022

	Governmental Funds Balance Sheet			Adjustments (Note 2)	Statement of Net Position
	General Fund	Capital Fund	Total		
Assets and Deferred Outflows of Resources					
Assets					
Cash and investments	\$ 2,947,847	\$ 1,341,583	\$ 4,289,430	\$ -	\$ 4,289,430
Prepaid expenses	4,247	-	4,247	-	4,247
Interfund receivable	-	870,001	870,001	(870,001)	-
Capital assets, net	-	-	-	2,673,916	2,673,916
Total assets	2,952,094	2,211,584	5,163,678	1,803,915	6,967,593
Deferred outflows of resources					
Pension related	-	-	-	49,927	49,927
Total assets and deferred outflows of resources	\$ 2,952,094	\$ 2,211,584	\$ 5,163,678	\$ 1,853,842	\$ 7,017,520
Liabilities, Deferred Inflows of Resources, Fund Balances, and Net Position					
Current liabilities					
Accounts payable	\$ 18,982	\$ -	\$ 18,982	\$ -	\$ 18,982
Public Employees Retirement System	16,666	-	16,666	-	16,666
Reserve for LOSAP trust	291,123	-	291,123	-	291,123
Accrued interest	-	-	-	8,156	8,156
Serial bonds payable - current	-	-	-	80,000	80,000
Interfund payable	870,001	-	870,001	(870,001)	-
Total current liabilities	1,196,772	-	1,196,772	(781,845)	414,927
Other liabilities					
Serial bonds payable - long-term	-	-	-	398,256	398,256
Net pension liability	-	-	-	199,448	199,448
Total other liabilities	-	-	-	597,704	597,704
Total liabilities	1,196,772	-	1,196,772	(184,141)	1,012,631
Deferred inflows of resources					
Pension related	-	-	-	88,509	88,509
Fund balances					
Committed					
Capital improvements	-	2,036,794	2,036,794	(2,036,794)	-
Improvement authorizations	-	174,790	174,790	(174,790)	-
Assigned					
Appropriation reserves	518,791	-	518,791	(518,791)	-
Designated for subsequent years' expenditures	196,935	-	196,935	(196,935)	-
Unassigned					
General fund	1,039,596	-	1,039,596	(1,039,596)	-
Total fund balances	1,755,322	2,211,584	3,966,906	(3,966,906)	-
Total liabilities, fund balances, and deferred inflows of resources	\$ 2,952,094	\$ 2,211,584	\$ 5,163,678		
Net position					
Net investment in capital assets				2,187,504	2,187,504
Restricted for capital acquisitions				1,341,583	1,341,583
Unrestricted				2,387,293	2,387,293
Total net position				5,916,380	5,916,380
Total liabilities, deferred inflows of resources, and net position				\$ 1,853,842	\$ 7,017,520

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

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Statements of Governmental Funds Balance Sheet and Net Position
December 31, 2021 (RESTATED)

	Governmental Funds Balance Sheet			Adjustments (Note 2)	Statement of Net Position
	General Fund	Capital Fund	Total		
Assets and Deferred Outflows of Resources					
Assets					
Cash and investments	\$ 2,608,808	\$ 1,336,497	\$ 3,945,305	\$ -	\$ 3,945,305
Prepaid expenses	4,247	-	4,247	-	4,247
Interfund receivable	-	688,501	688,501	(688,501)	-
Capital assets, net	-	-	-	2,795,431	2,795,431
Total assets	2,613,055	2,024,998	4,638,053	2,106,930	6,744,983
Deferred outflows of resources					
Pension related	-	-	-	21,798	21,798
Total assets and deferred outflows of resources	\$ 2,613,055	\$ 2,024,998	\$ 4,638,053	\$ 2,128,728	\$ 6,766,781
Liabilities, Deferred Inflows of Resources, Fund Balances, and Net Position					
Current liabilities					
Accounts payable	\$ 120,963	\$ -	\$ 120,963	\$ -	\$ 120,963
Public Employees Retirement System	13,347	-	13,347	-	13,347
Reserve for LOSAP trust	277,771	-	277,771	-	277,771
Accrued interest	-	-	-	9,563	9,563
Serial bonds payable - current	-	-	-	75,000	75,000
Interfund payable	688,501	-	688,501	(688,501)	-
Total current liabilities	1,100,582	-	1,100,582	(603,938)	496,644
Other liabilities					
Serial bonds payable - long-term	-	-	-	486,907	486,907
Net pension liability	-	-	-	134,141	134,141
Total other liabilities	-	-	-	621,048	621,048
Total liabilities	1,100,582	--	1,100,582	17,110	1,117,692
Deferred inflows of resources					
Pension related	-	-	-	160,189	160,189
Fund balances					
Committed					
Capital improvements	-	1,850,208	1,850,208	(1,850,208)	-
Improvement authorizations	-	174,790	174,790	(174,790)	-
Assigned					
Appropriation reserves	502,966	-	502,966	(502,966)	-
Designated for subsequent years' expenditures	103,274	-	103,274	(103,274)	-
Unassigned					
General fund	906,233	-	906,233	(906,233)	-
Total fund balances	1,512,473	2,024,998	3,537,471	(3,537,471)	-
Total liabilities, fund balances, and deferred inflows of resources	\$ 2,613,055	\$ 2,024,998	\$ 4,638,053		
Net position					
Net investment in capital assets				2,223,961	2,223,961
Restricted for capital acquisitions				1,336,497	1,336,497
Unrestricted				1,928,442	1,928,442
Total net position				5,488,900	5,488,900
Total liabilities, deferred inflows of resources, and net position				\$ 2,128,728	\$ 6,766,781

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

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Statements of Revenues, Expenditures, and Changes in Governmental
Fund Balances and Net Position
Year Ended December 31, 2022

	Statement of Revenues, Expenditures, and Changes in Governmental Fund Balances			Adjustments (Note 3)	Statement of Activities
	General Fund	Capital Fund	Total		
Expenditures					
Operating appropriations	\$ 956,140	\$ -	\$ 956,140	\$ 2,555	\$ 958,695
Capital appropriations	-	1,500	1,500	(1,500)	-
Total expenditures	<u>956,140</u>	<u>1,500</u>	<u>957,640</u>	<u>1,055</u>	<u>958,695</u>
General revenues					
District taxes	1,370,526	-	1,370,526	-	1,370,526
Supplemental fire services grant	2,631	-	2,631	-	2,631
Interest income	8,671	5,086	13,757	-	13,757
Miscellaneous income	161	-	161	-	161
Gain on disposition of fixed assets	-	-	-	(900)	(900)
Total general revenues	<u>1,381,989</u>	<u>5,086</u>	<u>1,387,075</u>	<u>(900)</u>	<u>1,386,175</u>
Excess (deficiency) of revenues over expenditures	<u>425,849</u>	<u>3,586</u>	<u>429,435</u>	<u>(1,955)</u>	<u>427,480</u>
Transfers					
Transfers in	-	183,000	183,000	(183,000)	-
Transfers out	(183,000)	-	(183,000)	183,000	-
Total transfers	<u>(183,000)</u>	<u>183,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	242,849	186,586	429,435	(1,955)	427,480
Changes in net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>427,480</u>
Fund balances / net position					
Beginning of year, as restated	<u>1,512,473</u>	<u>2,024,998</u>	<u>3,537,471</u>	<u>1,951,429</u>	<u>5,488,900</u>
End of year	<u>\$ 1,755,322</u>	<u>\$ 2,211,584</u>	<u>\$ 3,966,906</u>	<u>\$ 1,949,474</u>	<u>\$ 5,916,380</u>

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

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Statements of Revenues, Expenditures, and Changes in Governmental
Fund Balances and Net Position
Year Ended December 31, 2021 (RESTATED)

	Statement of Revenues, Expenditures, and Changes in Governmental Fund Balances			Adjustments (Note 3)	Statement of Activities
	General Fund	Capital Fund	Total		
Expenditures					
Operating appropriations	\$ 927,176	\$ -	\$ 927,176	\$ 33,982	\$ 961,158
Capital appropriations	-	89,000	89,000	(89,000)	-
Total expenditures	927,176	89,000	1,016,176	(55,018)	961,158
Revenues and other financing sources					
General revenues					
District taxes	1,413,405	-	1,413,405	-	1,413,405
Supplemental fire services grant	2,631	-	2,631	-	2,631
Interest income	12,477	12,141	24,618	-	24,618
Miscellaneous income	4,200	-	4,200	-	4,200
Gain on disposition of fixed assets	-	-	-	(1,177)	(1,177)
Total general revenues	1,432,713	12,141	1,444,854	(1,177)	1,443,677
Excess (deficiency) of revenues over expenditures	505,537	(76,859)	428,678	53,841	482,519
Transfers					
Transfers in	-	200,000	200,000	(200,000)	-
Transfers out	(200,000)	-	(200,000)	200,000	-
Total transfers	(200,000)	200,000	-	-	-
Net change in fund balances	305,537	123,141	428,678	53,841	482,519
Changes in net position	-	-	-	-	482,519
Fund balances / net position					
Beginning of year	1,206,936	1,901,857	3,108,793	1,897,588	5,006,381
End of year	\$ 1,512,473	\$ 2,024,998	\$ 3,537,471	\$ 1,951,429	\$ 5,488,900

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

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The accounting policies of Township of Manalapan Fire District No. 2, Monmouth County, New Jersey (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 State of New Jersey, Division of Local Government Services, Department of Community Affairs. For the years ended December 31, 2022 and 2021, the financial statements of Township of Manalapan Fire District No. 2 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 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 2022 and 2021. 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 its annual financial reporting process.

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

Governmental Fund Types

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

Capital Fund: The capital fund, a major 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 from reservation of fund balance that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2022 and 2021

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, depreciation expense, and the net pension liability.

Accounting Pronouncements Adopted in the Current Year

Leases

On June 28, 2017, GASB issued GASB Statement No. 87, *Leases*, a new lease accounting standard which creates accounting standards for governmental entities under GAAP. Previously, governmental entities reported their leases similar to how private entities reported leases.

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governmental entities. This statement increases the usefulness of government financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principles that leases are financing of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about a government's leasing activities. During the year ended December 31, 2022, the District was not contracted to any leases.

Basis of Accounting

Fund Basis of Accounting

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual 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. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal 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 monies 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 economic resources measurement focus and the accrual basis of accounting. Under the full accrual basis, revenues are recognized when earned and

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2022 and 2021

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. The budget transfers may be made during the last two months of the year.

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

Capital Assets

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

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

The cost of normal maintenance and repairs that do not add the value to the asset or materially extended 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 capital assets is recorded as an operating expense in the statements of activities and revenues, expenditures, and changes in governmental fund balances and net position with accumulated depreciation reflected in the statements of net position and governmental fund balance sheets and net position with accumulated depreciation reflected in the statement of net position and governmental fund balance sheet.

Depreciation is provided over the assets' estimated useful lives using the straight line method of depreciation, generally 10-20 years for fire trucks and vehicles, 5-10 years for equipment, and leasehold improvements are amortized over their economic lives or terms of lease, whichever is shorter.

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 has both significantly and unexpectedly declined. For the years ended December 31, 2022 and 2021, management has determined that there was no impairment of capital assets.

Interfund Transactions and Balances

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2022 and 2021

fund that statute or budget requires to expend them. Transfers between the general and capital fund of the District net to zero on the fund basis of accounting and are eliminated in the statements of activities.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those loans are reported as interfund receivables and payables on the fund basis of accounting. Interfund payables and receivables between funds are eliminated in the statements of net position.

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.

Deferred Outflows/Inflows of Resources

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position.

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The District's deferred outflows and deferred inflows are a result of its participation in the pension plan (see Note 8).

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 the 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

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2022 and 2021

specific purposes exceed the amounts restricted, committed, or assigned, it may be necessary to report a negative unassigned fund balance.

Government-wide Basis

Net position is displayed 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 to the acquisition of a fire truck and equipment.
- Unrestricted - all net positions that do not meet the definition of “net investment in capital assets,” or “restricted for capital acquisitions.”

2. ADJUSTMENTS TO ARRIVE AT NET POSITION

Capital Assets – Net and Net Investment in Capital Assets

For the years ended December 31, 2022 and 2021, capital assets and accumulated depreciation, net in the amounts of \$2,673,916 and \$2,795,431, respectively, net investment in capital assets in the amounts of \$2,187,504 and \$2,223,961, respectively, and serial bonds payable in the amounts of \$478,256 and \$561,907, respectively, have been included in the government-wide presentation.

Interfund Receivables and Payables

For the years ended December 31, 2022 and 2021, interfund balances in the amounts of \$870,001 and \$688,501 respectively, have been eliminated in arriving at the government-wide presentation.

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

For the years ended December 31, 2022 and 2021, fund balances in the amounts of \$3,998,650 and \$3,560,564, respectively, have been eliminated. Unrestricted net position in the amounts of \$2,387,293 and \$1,928,442, respectively, and net position restricted for capital acquisitions in the amounts of \$1,341,583 and \$1,336,497, respectively, have been included in the government-wide presentation.

Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources related to pensions are future expense and revenue for GAAP purposes and not for budgetary purposes. Therefore, for the years ended December 31, 2022 and 2021, the deferred outflows of resources in the amounts of \$49,927 and \$21,798, respectively, and deferred inflows of resources in the amounts of \$88,509 and \$160,189, respectively, have been included in government-wide presentation.

Net Pension Liability

For GAAP purposes, net pension liability is an accrual expense for future payments. It is not due in the current period for budgetary purposes. Therefore, for the years ended December 31, 2022 and 2021, the net pension liability in the amounts of \$199,448 and \$134,141, respectively, have been included in the government-wide presentation.

Accrued Interest

Accrued interest is not an expense for budgetary purposes. For GAAP purposes, it is a liability and an expense; therefore, for the years ended December 31, 2022 and 2021, the accrued interest in the amounts of \$8,156 and \$9,563, respectively, have been included in the government-wide presentation.

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3. ADJUSTMENTS TO ARRIVE AT THE CHANGE IN NET POSITION

Appropriations

For the year ended December 31, 2022, depreciation expense in the amount of \$180,868 has been included in the government-wide presentation. Additionally, to account for fixed asset purchases expensed under the fund basis of accounting, uniforms have been decreased by \$12,532, pension expense decreased by \$34,503, purchase of assets not included as capital outlays expense decreased by \$12,179, repairs decreased by \$23,494, maintenance decreased by \$5,528, computer expenses decreased by \$2,458, communication equipment decreased by \$2,561, principal payments on serial bonds expense have been decreased by \$75,000, the interest on serial bonds have decreased by \$1,407, and there were \$1,500 of capital appropriations. The net effect on operating appropriations is an increase of \$9,706.

For the year ended December 31, 2021, depreciation expense in the amount of \$175,880 has been included in the government-wide presentation. Additionally, to account for fixed asset purchases expensed under the fund basis of accounting, uniforms have been decreased by \$1,926. Pension expense decreased by \$41,162, purchase of assets not included as capital outlays expense decreased by \$18,847, principal payments on serial bonds expense have been decreased by \$70,000, the interest on serial bonds decreased by \$1,312, and there were \$89,000 of capital appropriations. The net effect on operating appropriations is a decrease of \$46,367.

Loss on Disposition of Fixed Assets

For the years ended December 31, 2022 and 2021, loss on disposition of assets in the amount of \$900 and \$1,177, respectively, have been included in the government-wide presentation to capture the disposal of assets that were not fully depreciated.

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% of the average daily balance of public funds; or if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.
- All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. The State of New Jersey Cash Management fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which mature within one year. Collateralization of fund investments is generally not required.
- The cash on deposit is partially insured by federal deposit insurance in the amount of \$250,000 in each depository. Balances above the federal deposit insurance amount are insured by the Government Unit Deposit Protection Act ("GUDPA"), N.J.S.A. 17:9-41, et seq., which insures all New Jersey governmental units' deposits in excess of the federal deposit insurance maximums. Cash determined by the Board of Commissioners consists of all bank accounts and petty cash.

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

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	<u>2022</u>	<u>2021</u>
Brunswick Bank & Trust – Checking	\$ 1,343	\$ 1,516
Brunswick Bank & Trust – Payroll	1,999	1,773
Brunswick Bank & Trust – Savings-General	138,216	414,020
Brunswick Bank & Trust – Savings-Capital	4,841	4,841
Brunswick Bank & Trust – CDs Capital	1,337,171	1,331,656
Brunswick Bank & Trust – CDs General	2,805,821	2,191,460
Petty cash	<u>39</u>	<u>39</u>
Total cash	<u>\$ 4,289,430</u>	<u>\$ 3,945,305</u>

Custodial Credit Risk

The carrying amount of the Board’s cash at December 31, 2022 was \$4,289,430, and the bank balance was \$4,319,904. Of the balance, \$250,000 was covered by federal depository insurance, and \$4,069,904 was covered by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., for all New Jersey governmental units’ deposits in excess of the federal deposit maximums.

The carrying amount of the Board’s cash at December 31, 2021 was \$3,945,305, and the bank balance was \$3,981,429. Of the balance, \$250,000 was covered by federal depository insurance, and \$3,731,429 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.

Investments

Custodial Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the District’s investment in a single issuer. The District does not have a concentration of credit risk policy; however, lack of policy does not present an undue risk as the District’s investments include certificates of deposit with lending institutions which are listed below and are covered by the Government Unit Deposit Protection Act, which was previously detailed.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The District has no formal investment policy that limits investment maturities as a means of management its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk:

The District has no investment policy that limits its investment choices other than the limitation of state law as follows:

- (a) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (b) Government money market mutual funds.
- (c) Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor.
- (d) Bonds or other obligations of the District or bonds or other obligations of the local units or units within which the District is located.

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- (e) Bonds or other obligations having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the District.
- (f) Local Government investment pools.
- (g) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281.
- (h) Agreements for the repurchase of fully collateralized securities.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the District's investment in a single issuer. The District does not have a concentration of credit risk policy; however, lack of policy does not present an undue risk as the District's investments include certificates of deposit with lending institutions which are listed below and are covered by the Government Unit Deposit Protection Act, which was previously detailed.

Fair Value Measurement

The District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value.

The fair value hierarchy gives the highest priority to quoted prices in the active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). This categorization is based on the lowest level input that is significant to the fair value measurement.

Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level I - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access. Fair value for these instruments is estimated using pricing models or quoted prices of securities with similar characteristics.

Level II - Inputs that include quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level III - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values.

Subsequent to initial recognition, the District may remeasure the carrying value of assets and liabilities measured on a non-recurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

During the year, the District had none of its idle funds invested in repurchase agreements collateralized by eligible securities. At the close of 2022 and 2021, no such investments were held by the District.

As of December 31, 2022 and 2021, the District's certificates of deposit, which were included in cash and investments consisted of:

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	<u>2022</u>	<u>2021</u>
Brunswick Bank & Trust – CDs Capital	\$ 1,337,171	\$ 1,331,656
Brunswick Bank & Trust – CDs General	<u>2,805,821</u>	<u>2,191,460</u>
	<u>\$ 4,142,992</u>	<u>\$ 3,523,116</u>

The certificates of deposit have terms ranging from 1 to 12 months, with interest ranging from 0.25% to 3.92% and mature between January and December 2023. Subsequent to year end, the certificates of deposit were renewed for terms ranging from 1 to 12 months. These certificates of deposit are covered by federal deposit insurance.

5. ASSESSMENT AND COLLECTION OF MONEY AUTHORIZED BY VOTERS

Upon proper certification pursuant to Section 9 of P.L. 1979 c. 453 (C40[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.

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 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 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 Township of Manalapan Fire District No. 2 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, 2022 and 2021, the fire tax rate on Fire District No. 2 was \$.042 and \$.050, respectively, per \$100 of assessed valuation.

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

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The District also participates in the Supplemental Fire Services Program. The District received \$2,631 in both 2022 and 2021.

7. LENGTH OF SERVICE AWARD PROGRAM (“LOSAP”)

The Fire District offers its employees a Length of Service Awards Program (“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.

A LOSAP set up in accordance with the requirements of New Jersey State General Municipal Law would constitute a rabbi trust and, therefore, the plan itself would not be subject to GASB Statement 67 and the sponsor would not be subject to GASB Statement 68 requirements.

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 \$1,804 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 \$1,936 and \$1,804, for the years ended December 31, 2022 and 2021 respectively, per eligible volunteer, into the Plan. For 2022 and 2021, the budgeted amount of contribution was \$35,000 and \$40,000, respectively and the contribution made in 2022 and 2021 was \$21,648 and \$21,444, 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, VALIC (“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.

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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, 2022 and 2021, no payments were made to vested participants.

Forfeited Accounts

There were no forfeitures during the years ended December 31, 2022 and 2021.

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 participant’s 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.

8. PENSION PLAN

Employees of the District that are eligible participate in the State of New Jersey, Public Employees' Retirement System (“PERS”). PERS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (“Division”). For additional information about PERS, please refer to Division’s Comprehensive Annual Financial Report (“CAFR”) which can be found at www.nj.gov/treasury/pensions/financial-reports.shtml.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 and 25 or more years of service credit, and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member

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can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service.

Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Employer and Employee Contributions

The contribution policy for PERS is set by N.J.S.A. 43.15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. The local employer's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers were credited with the full payment and any such amounts were not to be included in their unfunded liability.

The unfunded liability is being paid by the employer in level annual payments over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of assets.

During the years ended December 31, 2022 and 2021, the PERS received employer and employee contributions as follows:

	<u>2022</u>	<u>2021</u>
Employer contributions	\$ 16,993	\$ 13,670
Employee contributions	\$ 7,305	\$ 7,182
Salary basis for contributions	\$ 97,400	\$ 95,765
Percent of base wages	7.50%	7.50%

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Although the Division administers one cost-sharing multiple-employer plan, separate (sub) valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each individual employer of the State and local groups of the plan.

Proportionate Share of Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2022 and 2021, and the total pension liability to

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calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 and 2021. In accordance with GASB 68, the measurement date shall not be earlier than 1 year from the statement of net position date; therefore, the District has elected to utilize June 30, 2022 and 2021 as the measurement dates, respectively.

The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the Local Group in the PERS during the years ended June 30, 2022 and 2021. At December 31, the District's proportionate share and net pension liability was as follows:

	<u>2022</u>	<u>2021</u>
PERS net pension liability (Local Group)	\$ 15,219,184,920	\$ 11,972,782,878
District net pension liability	\$ 199,448	\$ 134,142
District's proportion	0.0013105038%	0.0011203912%

Pension expense, net is comprised of the following at December 31:

	<u>2022</u>	<u>2021</u>
Proportionate share of allocable plan pension expense	\$ (14,444)	\$ (18,318)
Pension expense related to specific liabilities of individual employers	(16,666)	(13,262)
Net amortization of deferral amounts from changes in proportion	(3,393)	(9,582)
	<u>\$ (34,503)</u>	<u>\$ (41,162)</u>

At December 31, 2022 and 2021, the District reported deferred outflows of resources and deferred inflows of resources related to PERS as follows:

	<u>2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 618	\$ 29,865
Net difference between projected and actual earnings on pension plan investments	8,255	-
Difference between expected and actual experience	1,440	1,269
Changes in proportion and differences between the District contributions and proportionate share of contributions	39,614	57,375
District contributions subsequent to the measurement date	-	-
	<u>\$ 49,927</u>	<u>\$ 88,509</u>

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	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 699	\$ 47,756
Net difference between projected and actual earnings on pension plan investments	-	35,337
Difference between expected and actual experience	2,116	960
Changes in proportion and differences between the District contributions and proportionate share of contributions	18,983	76,136
District contributions subsequent to the measurement date	-	-
	<u>\$ 21,798</u>	<u>\$ 160,189</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

	Deferred Outflows/Inflows, Net (Local Group)	District Share
2023	\$ (1,294,523,233)	\$ (31,701)
2024	(659,516,114)	(16,150)
2025	(321,633,159)	(7,876)
2026	701,681,878	17,183
2027	(1,541,299)	(38)
	<u>\$ (1,575,531,927)</u>	<u>\$ (38,582)</u>

Actuarial Assumptions

The collective total pension liability for the June 30, 2022 and 2021 measurement date was determined by an actuarial valuation as of July 1, 2021 and 2020, respectively, which was rolled forward to June 30, 2022 and 2021, respectively. This actuarial valuation used the following actuarial assumptions:

	2022	2021
Inflation rate		
Price	2.75%	2.75%
Wage	3.25%	3.25%
Salary increases through 2026	2.75-6.55%	2.00-6.00%
	Based on years of service	Based on years of service
Thereafter	3.00-7.00%	3.00-7.00%
	Based on years of service	Based on years of service
Investment rate of return	7.00%	7.00%

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For June 30, 2022 and 2021, the following assumptions were used:

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial study for the period July 1, 2014 to June 30, 2018.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022 and 2021) is determined by the State Treasurer after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	27.00%	8.12%
Non-U.S. Developed Markets Equity	13.50%	8.38%
Emerging Market Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Estate	8.00%	11.19%
Real Assets	3.00%	7.60%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

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Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	27.00%	8.09%
Non-U.S. Developed Markets Equity	13.50%	8.71%
Emerging Market Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Assets	3.00%	7.40%
Real Estate	8.00%	9.15%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	95.00%
Risk Mitigation Strategies	3.00%	3.35%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% for both June 30, 2022 and 2021, this single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.65% and 2.21% as of June 30, 2022 and 2021, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers for the year ended June 30, 2022.

For the year ended June 30, 2022, the projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members and projected future benefit payments of current plan members through 2057 for the years ended June 30, 2022 and 2021. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments and projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability measured as of June 30, 2022 and 2021, calculated using the discount rate as disclosed above as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
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December 31, 2022 and 2021

	2022		
	At 1 % Decrease	At Current	At 1% Increase
	(6.00%)	Discount Rate	(8.00%)
		(7.00%)	
State	\$ 25,545,130,654	\$ 22,386,831,046	\$ 19,706,077,936
Local	<u>19,552,194,509</u>	<u>15,219,184,920</u>	<u>11,531,619,329</u>
PERS as a whole	<u>\$ 45,097,325,163</u>	<u>\$ 37,606,015,966</u>	<u>\$ 31,237,697,265</u>
District's proportionate share of the net pension liability	<u>\$ 256,232</u>	<u>\$ 199,448</u>	<u>\$ 151,122</u>
	2021		
	At 1 % Decrease	At Current	At 1% Increase
	(6.00%)	Discount Rate	(8.00%)
		(7.00%)	
State	\$ 24,824,632,407	\$ 21,629,497,485	\$ 18,926,092,782
Local	<u>16,304,502,364</u>	<u>11,972,782,878</u>	<u>8,296,704,949</u>
PERS as a whole	<u>\$ 41,129,134,771</u>	<u>\$ 33,602,280,363</u>	<u>\$ 27,222,797,731</u>
District's proportionate share of the net pension liability	<u>\$ 182,674</u>	<u>\$ 134,142</u>	<u>\$ 92,956</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report which can be found at the following link: www.nj.gov/treasury/pensions/financial-reports.shtml.

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December 31, 2022 and 2021

9. CAPITAL ASSETS

The following is a summarization of the capital assets for the years ended December 31, 2022 and 2021:

<u>Description</u>	<u>January 1, 2022</u>	<u>Additions/ Transfers In</u>	<u>Deletions/ Transfers Out</u>	<u>December 31, 2022</u>
Capital assets not being depreciated				
Land	\$ 379,221	\$ -	\$ -	\$ 379,221
Total	<u>379,221</u>	<u>-</u>	<u>-</u>	<u>379,221</u>
Capital assets being depreciated				
Land improvements	41,682	-	-	41,682
Leasehold improvements	1,630,837	15,975	-	1,646,812
Equipment	1,087,902	44,278	(29,821)	1,102,359
Trucks and vehicles	2,819,467	-	-	2,819,467
Total	<u>5,579,888</u>	<u>60,253</u>	<u>(29,821)</u>	<u>5,610,320</u>
Less accumulated depreciation				
Land improvements	19,277	1,042	-	20,319
Leasehold improvements	602,868	53,431	-	656,299
Equipment	714,262	67,147	(28,921)	752,488
Trucks and vehicles	1,827,271	59,248	-	1,886,519
Total	<u>3,163,678</u>	<u>180,868</u>	<u>(28,921)</u>	<u>3,315,625</u>
Total capital assets being depreciated, net	<u>2,416,210</u>	<u>(120,615)</u>	<u>(900)</u>	<u>2,294,695</u>
Net capital assets	<u>\$ 2,795,431</u>	<u>\$ (120,615)</u>	<u>\$ (900)</u>	<u>\$ 2,673,916</u>

<u>Description</u>	<u>January 1, 2021</u>	<u>Additions/ Transfers In</u>	<u>Deletions/ Transfers Out</u>	<u>December 31, 2021</u>
Capital assets not being depreciated				
Land	\$ 379,221	\$ -	\$ -	\$ 379,221
Total	<u>379,221</u>	<u>-</u>	<u>-</u>	<u>379,221</u>
Capital assets being depreciated				
Land improvements	41,682	-	-	41,682
Leasehold improvements	1,630,837	-	-	1,630,837
Equipment	995,847	109,772	(17,717)	1,087,902
Trucks and vehicles	2,819,467	-	-	2,819,467
Total	<u>5,487,833</u>	<u>109,772</u>	<u>(17,717)</u>	<u>5,579,888</u>
Less accumulated depreciation				
Land improvements	18,235	1,042	-	19,277
Leasehold improvements	549,437	53,431	-	602,868
Equipment	668,643	62,159	(16,540)	714,262
Trucks and vehicles	1,768,023	59,248	-	1,827,271
Total	<u>3,004,338</u>	<u>175,880</u>	<u>(16,540)</u>	<u>3,163,678</u>
Total capital assets being depreciated, net	<u>2,483,495</u>	<u>(66,108)</u>	<u>(1,177)</u>	<u>2,416,210</u>
Net capital assets	<u>\$ 2,862,716</u>	<u>\$ (66,108)</u>	<u>\$ (1,177)</u>	<u>\$ 2,795,431</u>

Depreciation expense for the years ended December 31, 2022 and 2021 amounted to \$180,868 and \$175,880, respectively.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2022 and 2021

10. BONDS PAYABLE

Fire District Bond – Series 2017

On February 23, 2017, the District issued and sold a fire district bond for \$898,124 (face amount of \$775,000, plus net premium of \$123,124) to the Monmouth County Improvement Authority. The District also incurred \$36,613 issuance costs. Both are amortized using the straight line method. The annual amortization is recorded against interest expense. The unamortized balance of the bond premium and bond issue costs are being offset against the long-term portion of serial bonds payable. The bond is bearing interest rate at 5% annually from 2021 to maturity on February 15, 2027.

Interest expense on these bonds amounted to \$13,567 and \$17,287 for the years ended December 31, 2022 and 2021, respectively.

The District's long-term debts consisted of the following at December 31, 2022 and 2021:

		2021			
		Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental Activities					
Bonds payable					
	General obligation bonds	\$ 580,000	\$ -	\$ 70,000	\$ 510,000
	Premium	86,188	-	12,312	73,876
	Bond issue costs	(25,630)	-	(3,661)	(21,969)
		<u>\$ 640,558</u>	<u>\$ -</u>	<u>\$ 78,651</u>	<u>\$ 561,907</u>
		2022			
		Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental Activities					
Bonds payable					
	General obligation bonds	\$ 510,000	\$ -	\$ 75,000	\$ 435,000
	Premium	73,876	-	12,312	61,564
	Bond issue costs	(21,969)	-	(3,661)	(18,308)
		<u>\$ 561,907</u>	<u>\$ -</u>	<u>\$ 83,651</u>	<u>\$ 478,256</u>

Future debt service requirements for serial bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 80,000	\$ 19,750
2024	85,000	15,625
2025	85,000	11,375
2026	90,000	7,000
2027	<u>95,000</u>	<u>2,375</u>
	<u>\$ 435,000</u>	<u>\$ 56,125</u>

Township of Manalapan Fire District No. 2
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Notes to Financial Statements
December 31, 2022 and 2021

11. FIRE PROTECTION AGREEMENTS

The District has an agreement with Manalapan Township Volunteer Fire Company No. 1 for fire protection services and the use of the premises, expiring February 28, 2023. The amount of consideration for the years ended December 31, 2022 and 2021 was \$144,174 for both years.

The District also has an agreement with the Englishtown Fire Department for fire protection services, with an expiration date of February 28, 2023. The amount of consideration for the years ended December 31, 2022 and 2021 was \$48,468 for both years.

12. RISK ASSESSMENT

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

13. PRIOR PERIOD ADJUSTMENT

The previous year ending capital fund balance was understated relating to the understatement of capital appropriations and the presentation of Improvement Authorizations that were not properly presented as fund balances as of December 31, 2021. The previous year's statement of net position and governmental funds balance sheet has been restated to show the removal of the Investment in LOSAP asset account, and the net assets available for LOSAP liability account. These were previously presented in the statement of net position and governmental fund balance sheet and have been removed under the guidance of GASB 84.

Additionally, there was a reclassification in the general fund to properly present transfers in the statement of revenues, expenses, and change in governmental fund balances. The net effect on opening fund balances at January 1, 2021 was an increase of \$263,790 in the capital fund balance and no change in the general fund balance or government wide net position.

Further, the capital fund was adjusted to properly account for debt issuance costs in accordance with modified accrual basis of accounting.

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Notes to Financial Statements
December 31, 2022 and 2021

The effect on the District's previously issued December 31, 2021 statement of net position and governmental funds balance sheet are as follows:

	General Fund			Capital Fund			Government Wide		
	As Previously Stated	Adjustments	As Restated	As Previously Stated	Adjustments	As Restated	As Previously Stated	Adjustments	As Restated
Assets and Deferred Outflows of Resources									
Assets									
Cash and investments	\$ 2,608,808	\$ -	\$ 2,608,808	\$ 1,336,497	\$ -	\$ 1,336,497	\$ 3,945,305	\$ -	\$ 3,945,305
Prepaid expenses	4,247	-	4,247	-	-	-	4,247	-	4,247
Interfund receivable	-	-	-	688,501	-	688,501	-	-	-
Investment in LOSAP	-	-	-	-	-	-	1,040,976	(1,040,976)	-
Capital assets, net	-	-	-	-	-	-	2,795,431	-	2,795,431
Deferred charges to future taxation (Other assets)	-	-	-	-	-	-	-	-	-
Total assets	2,613,055	-	2,613,055	2,609,998	(585,000)	2,024,998	7,785,959	(1,040,976)	6,744,983
Deferred outflows of resources									
Pension related	-	-	-	-	-	-	21,798	-	21,798
Total assets and deferred outflows of resources	\$ 2,613,055	\$ -	\$ 2,613,055	\$ 2,609,998	\$ (585,000)	\$ 2,024,998	\$ 7,807,757	\$ (1,040,976)	\$ 6,766,781
Liabilities, Deferred Inflows of Resources, Fund Balances, and Net Position									
Current liabilities									
Accounts payable	\$ 120,963	\$ -	\$ 120,963	\$ -	\$ -	\$ -	\$ 120,963	\$ -	\$ 120,963
Encumbrances payable	-	-	-	-	-	-	-	-	-
Public Employees Retirement System	13,347	-	13,347	-	-	-	13,347	-	13,347
Reserve for LOSAP trust	277,771	-	277,771	-	-	-	277,771	-	277,771
Net assets available for LOSAP	-	-	-	-	-	-	1,040,976	(1,040,976)	-
Accrued interest	-	-	-	-	-	-	9,563	-	9,563
Serial bonds payable - current	-	-	-	75,000	(75,000)	-	75,000	-	75,000
Interfund payable	688,501	-	688,501	-	-	-	-	-	-
Improvement authorizations	-	-	-	174,790	(174,790)	-	-	-	-
Total current liabilities	1,100,582	-	1,100,582	249,790	(249,790)	-	1,537,620	(1,040,976)	496,644
Other liabilities									
Serial bonds payable - long-term	-	-	-	486,907	(486,907)	-	486,907	-	486,907
Net pension liability	-	-	-	-	-	-	134,141	-	134,141
Total other liabilities	-	-	-	486,907	(486,907)	-	621,048	-	621,048
Total liabilities	1,100,582	-	1,100,582	736,697	(736,697)	-	2,158,668	(1,040,976)	1,117,692
Deferred inflows of resources									
Pension related	-	-	-	-	-	-	160,189	-	160,189
Fund balances									
Committed									
Capital improvements	-	-	-	1,873,301	(23,093)	1,850,208	-	-	-
Improvement authorizations	-	-	-	-	174,790	174,790	-	-	-
Assigned									
Appropriation reserves	391,966	111,000	502,966	-	-	-	-	-	-
Designated for subsequent years' expenditures	74,774	28,500	103,274	-	-	-	-	-	-
Unassigned									
General fund	1,045,733	(139,500)	906,233	-	-	-	-	-	-
Total fund balances	1,512,473	-	1,512,473	1,873,301	151,697	2,024,998	-	-	-
Total liabilities, fund balances, and deferred inflows of resources	\$ 2,613,055	\$ -	\$ 2,613,055	\$ 2,609,998	\$ (585,000)	\$ 2,024,998	\$ -	\$ -	\$ -
Net position									
Net investment in capital assets	-	-	-	-	-	-	2,223,961	-	2,223,961
Restricted for capital acquisitions	-	-	-	-	-	-	1,336,497	-	1,336,497
Unrestricted	-	-	-	-	-	-	1,928,442	-	1,928,442
Total net position	-	-	-	-	-	-	5,488,900	-	5,488,900
Total liabilities, deferred inflows of resources, and net position	\$ 2,613,055	\$ -	\$ 2,613,055	\$ 2,609,998	\$ (585,000)	\$ 2,024,998	\$ 7,807,757	\$ (1,040,976)	\$ 6,766,781

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
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December 31, 2022 and 2021

The effect on the District's previously issued December 31, 2020 statement of revenues, expenses and changes in governmental fund balances and net position are summarized as follows:

	General Fund			Capital Fund			Government Wide		
	As Previously Stated	Adjustments	As Restated	As Previously Stated	Adjustments	As Restated	As Previously Stated	Adjustments	As Restated
Expenditures									
Operating appropriations	\$ 927,176	\$ -	\$ 927,176	\$ (8,651)	\$ 8,651	\$ -	\$ 961,158	\$ -	\$ 961,158
Capital appropriations	200,000	(200,000)	-	-	89,000	89,000	-	-	-
Total expenditures	1,127,176	(200,000)	927,176	-	89,000	89,000	961,158	-	961,158
Revenues and other financing sources									
General revenues									
District taxes	1,413,405	-	1,413,405	-	-	-	1,413,405	-	1,413,405
Supplemental fire services grant	2,631	-	2,631	-	-	-	2,631	-	2,631
Interest income	12,477	-	12,477	12,141	-	12,141	24,618	-	24,618
Miscellaneous income	4,200	-	4,200	-	-	-	4,200	-	4,200
Gain on disposition of fixed assets	-	-	-	-	-	-	(1,177)	-	(1,177)
Total general revenues	1,432,713	-	1,432,713	12,141	-	12,141	1,443,677	-	1,443,677
Excess (deficiency) of revenues over expenditures									
Transfers									
Transfers in	-	-	-	-	200,000	200,000	-	-	-
Transfers out	-	(200,000)	(200,000)	-	-	-	-	-	-
Total transfers	-	(200,000)	(200,000)	-	200,000	200,000	-	-	-
Other Financing Sources									
Reserve for future capital outlays				200,000	(200,000)	-	-	-	-
Net change in fund balances	305,537	-	305,537	12,141	111,000	123,141	482,519	-	482,519
Changes in net position									482,519
Fund balances / net position									
Beginning of year	1,206,936	-	1,206,936	1,652,509	249,348	1,901,857	5,006,381	-	5,006,381
End of year	\$ 1,512,473	\$ -	\$ 1,512,473	\$ 1,873,301	\$ 151,697	\$ 2,024,998	\$ 5,488,900	\$ -	\$ 5,488,900

14. SUBSEQUENT EVENTS

The District has evaluated subsequent events occurring after December 31, 2022 through the date of September 13, 2023, 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.



**MONMOUTH COUNTY, NEW JERSEY
SUPPLEMENTARY INFORMATION**

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of the District's Proportionate Share of the Net Pension Liability –
Public Employees' Retirement System (PERS)
Years Ended December 31, 2022 through 2016

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportionate of the net pension liability (PERS Local Group)	0.0013105038%	0.0011203912%	0.0015513078%	0.15059112%	0.0014200613%	0.0013705924%	0.0013932004%
District's proportionate share of the net pension liability (PERS Local Group)	\$ 199,448	\$ 134,141	\$ 254,967	273,230	\$ 279,603	\$ 319,052	\$ 412,626
District's covered-employee payroll	\$ 97,400	\$ 95,765	\$ 99,756	108,260	\$ 107,760	\$ 99,728	\$ 94,956
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	205%	140%	256%	252%	259%	320%	435%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is completed, this presentation will only include information for those years for which information is available.

Notes to Required Supplementary Information

Benefit Changes

None

Changes of Assumptions

The discount rate changed as follows as of June 30:	7.00%	7.00%	7.00%	6%	5.66%	5.00%	3.98%
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See Independent Auditor's Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of the District's Contributions – Public Employees' Retirement System (PERS)
Years Ended December 31, 2022 through 2016

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 16,993	\$ 13,670	\$ 17,104	\$ 14,750	\$ 14,125	\$ 12,697	\$ 12,377
Contributions in relation to the contractually required contribution	<u>(13,347)</u>	<u>(17,104)</u>	<u>(17,104)</u>	<u>(14,750)</u>	<u>(14,125)</u>	<u>(12,697)</u>	<u>(12,377)</u>
Contribution deficiency (excess)	\$ 3,646.00	\$ (3,434.00)	\$ -	\$ -	\$ -	\$ -	
Percent of base wages	7.50%	7.50%	7.50%	7.50%	7.34%-7.50%	7.20%-7.34%	7.06%-7.20%
District's covered-employee payroll	\$ 97,400	\$ 95,765	\$ 99,756	\$ 108,260	\$ 107,760	\$ 99,728	\$ 94,956
Contributions as a percentage of the District's covered-employee payroll	17.45%	14.27%	17.15%	13.62%	13.11%	12.73%	13.03%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is completed, this presentation will only include information for those years for which information is available.

See Independent Auditor's Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual All Governmental Fund Types
Year Ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Total</u>	<u>Budgetary</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
District taxes	\$ 1,370,526	\$ 1,370,526	\$ 1,370,526	\$ -
Supplemental fire services grant	2,631	2,631	2,631	-
Interest income	-	-	13,757	13,757
Miscellaneous income	-	-	161	161
Fund balance utilized - unrestricted	<u>103,274</u>	<u>103,274</u>	<u>-</u>	<u>(103,274)</u>
Total revenues	1,476,431	1,476,431	1,387,075	(89,356)
Transfers				
Reserve for future capital outlays	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total transfers	-	-	-	-
Total general revenues and transfers	<u>1,476,431</u>	<u>1,476,431</u>	<u>1,387,075</u>	<u>(89,356)</u>
Expenditures				
Operating appropriations				
Administration				
Election	5,000	5,000	3,139	(1,861)
Office expenses	7,000	7,000	4,974	(2,026)
Payroll tax	24,000	24,000	11,525	(12,475)
Office furniture	7,000	7,000	3,398	(3,602)
Professional services	80,000	80,000	91,634	11,634
Travel expenses	25,000	25,000	7,292	(17,708)
Dues - admin	2,000	2,000	735	(1,265)
Communication expenses	20,000	20,000	17,003	(2,997)
Dispatch service	12,500	12,500	7,946	(4,554)
Contingent	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>(2,500)</u>
Total administration	<u>185,000</u>	<u>185,000</u>	<u>147,646</u>	<u>(37,354)</u>

See Independent Auditor's Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual All Governmental Fund Types
Year Ended December 31, 2022

Operations and maintenance				
Salaries and wages				
Commissioners	\$ 53,825	\$ 53,825	\$ 53,825	\$ -
Secretarial	5,912	5,912	5,912	-
Treasurer	5,912	5,912	5,912	-
Administrator	49,921	79,921	44,153	(35,768)
Maintenance manager	12,940	12,940	12,940	-
Personnel director	8,269	8,269	8,269	-
House officer/drivers	86,822	86,822	-	(86,822)
Training officer	14,807	14,807	6,538	(8,269)
IT specialist	15,020	15,020	15,020	-
Total salaries and wages	<u>253,428</u>	<u>283,428</u>	<u>152,569</u>	<u>(130,859)</u>
Fringe benefits				
LOSAP	35,000	35,000	35,000	-
PERS	28,736	28,736	16,993	(11,743)
Total fringe benefits	<u>63,736</u>	<u>63,736</u>	<u>51,993</u>	<u>(11,743)</u>
Contractual				
Fire hydrant service on rentals	30,000	30,000	25,789	(4,211)
Contracted services provided by volunteer fire companies	48,468	48,468	48,468	-
Total contractual	<u>78,468</u>	<u>78,468</u>	<u>74,257</u>	<u>(4,211)</u>
Other expenses				
Promotion	9,000	9,000	547	(8,453)
Training	8,000	8,000	2,100	(5,900)
Insurance	140,000	140,000	128,618	(11,382)
Dues	2,000	2,000	140	(1,860)
Uniforms	30,000	30,000	14,870	(15,130)
Supplies	20,000	20,000	12,158	(7,842)
Travel expenses	13,000	13,000	11,023	(1,977)

See Independent Auditor's Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual All Governmental Fund Types
Year Ended December 31, 2022

Maintenance	50,000	35,000	34,017	(983)
Repairs	60,000	60,000	38,632	(21,368)
Other rental charges	144,174	144,174	144,174	-
Contingent expenses	6,000	6,000	-	(6,000)
Health and fitness	5,000	5,000	2,744	(2,256)
Physicals	7,000	7,000	1,945	(5,055)
Computer expenses	30,000	30,000	23,088	(6,912)
Communication equipment	30,000	30,000	3,435	(26,565)
Rescue equipment	10,000	10,000	1,005	(8,995)
Emergency lights, rope, and other	50,000	35,000	12,554	(22,446)
Principal payments serial bonds	75,000	75,000	75,000	-
Interest on serial bonds	23,625	23,625	23,625	-
Total other expenses	<u>712,799</u>	<u>682,799</u>	<u>529,675</u>	<u>(153,124)</u>
Total operations and maintenance	<u>1,108,431</u>	<u>1,108,431</u>	<u>808,494</u>	<u>(299,937)</u>
Total operating appropriations	1,293,431	1,293,431	956,140	(337,291)
Capital appropriations				
Reserve for future capital outlays	<u>183,000</u>	<u>183,000</u>	<u>-</u>	<u>(183,000)</u>
Capital projects	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>1,500</u>
Total capital appropriations	183,000	183,000	-	(183,000)
Total expenditures	<u>1,476,431</u>	<u>1,476,431</u>	<u>957,640</u>	<u>(518,791)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	429,435	<u>\$ 429,435</u>
Fund balances				
Beginning of year			<u>3,537,471</u>	
End of year			<u>\$ 3,966,906</u>	

See Independent Auditor's Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Supplementary Information
Year Ended December 31, 2022

A. BUDGETARY BASIS OF ACCOUNTING

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

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

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

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances technically lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are reappropriated and become part of the subsequent year’s budget pursuant to state regulations, and the encumbrances are automatically reestablished in the next year.

B. FUND PRESENTATION

As a special purpose district, the District does not budget at the individual fund level but instead collectively for both the general and capital fund. The schedules of revenues, expenditures, and changes in fund balances – budget and actual – all governmental fund types includes budget and actual financial information for both the general and capital funds for ease of comparing budget and actual results.

C. BUDGET CANCELLATION

Regulations allow the District to cancel unexpended appropriations before year end by resolution. During the year ended December 31, 2022, the District canceled no appropriations resulting in a reservation of fund balance as follows:

Adopted budget	\$ 1,476,431
Expenditures	<u>957,640</u>
Favorable variance	518,791
Canceled	<u>-</u>
Fund balance reserve	<u>\$ 518,791</u>

See Independent Auditor’s Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedules of Improvement Authorizations – Capital Fund
Year Ended December 31, 2022

<u>Purpose</u>	<u>Authorized Appropriation</u>		<u>Balance January 1, 2022</u>	<u>2022</u>			<u>Balance December 31, 2022</u>
	<u>Date</u>	<u>Amount</u>		<u>Authorization</u>	<u>Expenditures</u>	<u>Transfers</u>	
Utility building	12/16/13	\$ 425,000	\$ 36,808	\$ -	\$ -	\$ -	\$ 36,808
Opticom system	12/16/13	55,000	36,000	-	(1,500)	-	34,500
Rescue truck	02/23/15	850,000	1,982	-	-	-	1,982
Parking lot	01/02/20	100,000	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
			<u>\$ 174,790</u>	<u>\$ -</u>	<u>\$ (1,500)</u>	<u>\$ -</u>	<u>\$ 173,290</u>

See Independent Auditor's Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedules of Improvement Authorizations – Capital Fund
Year Ended December 31, 2021

<u>Purpose</u>	<u>Authorized Appropriation</u>		<u>Balance</u>	<u>2021</u>			<u>Balance</u>
	<u>Date</u>	<u>Amount</u>	<u>January 1, 2021</u>	<u>Authorization</u>	<u>Expenditures</u>	<u>Transfers</u>	<u>December 31, 2021</u>
Utility building	12/16/13	\$ 425,000	\$ 36,808	\$ -	\$ -	\$ -	\$ 36,808
Opticom system	12/16/13	55,000	125,000	-	(89,000)	-	36,000
Rescue truck	02/23/15	850,000	1,982	-	-	-	1,982
Parking lot	01/02/20	100,000	100,000	-	-	-	100,000
			<u>\$ 263,790</u>	<u>\$ -</u>	<u>\$ (89,000)</u>	<u>\$ -</u>	<u>\$ 174,790</u>

See Independent Auditor's Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of Bonds
Year Ended December 31, 2022

<u>Purpose</u>	<u>Balance January 1, 2022</u>	<u>2022 Authorizations</u>	<u>Paid by 2022 Budget Appropriation</u>	<u>2022 Bond Issued</u>	<u>Balance December 31, 2022</u>
Unfunded					
Rescue truck	\$ 75,000	\$ -	\$ -	\$ -	\$ 75,000
Funded					
2017 serial bond - rescue truck	<u>510,000</u>	<u>-</u>	<u>(75,000)</u>	<u>-</u>	<u>435,000</u>
	<u>\$ 585,000</u>	<u>\$ -</u>	<u>\$ (75,000)</u>	<u>\$ -</u>	<u>\$ 510,000</u>

See Independent Auditor's Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of Bonds
Year Ended December 31, 2021

<u>Purpose</u>	<u>Balance January 1, 2021</u>	<u>2021 Authorizations</u>	<u>Paid by 2021 Budget Appropriation</u>	<u>2021 Bond Issued</u>	<u>Balance December 31, 2021</u>
Unfunded					
Rescue truck	\$ 75,000	\$ -	\$ -	\$ -	\$ 75,000
Funded					
2017 serial bond - rescue truck	<u>580,000</u>	<u>-</u>	<u>(70,000)</u>	<u>-</u>	<u>510,000</u>
	<u>\$ 655,000</u>	<u>\$ -</u>	<u>\$ (70,000)</u>	<u>\$ -</u>	<u>\$ 585,000</u>

See Independent Auditor's Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Statistical Information
Years Ended December 31, 2022 and 2021

Property Tax Levies

The following is a tabulation of the districts assessed valuations, tax levies, and property tax rates per \$100 of assessed valuation for the current and preceding ten (10) years:

<u>Fiscal Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2012	\$ 2,248,545,700	\$ 1,057,156	0.047
2013	2,288,997,500	1,076,763	0.047
2014	2,330,387,076	1,160,042	0.050
2015	2,473,218,050	1,250,930	0.051
2016	2,535,589,460	1,260,240	0.050
2017	2,580,775,900	1,381,289	0.054
2018	2,703,435,000	1,419,262	0.053
2019	2,813,123,300	1,452,333	0.052
2020	2,842,043,800	1,458,842	0.052
2021	2,854,876,000	1,413,405	0.050
2022	3,288,048,400	1,370,526	0.042

General Fund – Fund Balance before Current Year Appropriation Reserves

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in</u> <u>Subsequent Budget</u>
December 31, 2012	\$ 338,970	\$ 261,881
December 31, 2013	228,223	197,989
December 31, 2014	225,212	160,000
December 31, 2015	200,272	139,840
December 31, 2016	148,009	99,278
December 31, 2017	257,008	88,852
December 31, 2018	455,576	101,067
December 31, 2019	544,392	112,198
December 31, 2020	808,013	94,455
December 31, 2021	1,512,473	74,774
December 31, 2022	1,755,322	196,935

See Independent Auditor's Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Statistical Information
Years Ended December 31, 2022 and 2021

Capital Fund – Fund Balance

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in</u> <u>Subsequent Budget</u>
December 31, 2012	\$ 329,302	\$ -
December 31, 2013	520,075	517,000
December 31, 2014	193,492	-
December 31, 2015	479,167	-
December 31, 2016	781,448	-
December 31, 2017	984,708	-
December 31, 2018	1,197,028	100,000
December 31, 2019	1,520,779	-
December 31, 2020	1,652,509	-
December 31, 2021	1,873,301	-
December 31, 2022	2,036,794	-

See Independent Auditor's Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Roster of Officials
Years Ended December 31, 2022 and 2021

<u>Board of Commissioners</u>	<u>Position</u>	<u>Amount of Surety Bond</u>	<u>Term Expiration</u>
Richard W. Hogan	Chairperson	50,000*	2026
Carol Flannery	Commissioner	50,000*	2025
Timothy D. Kirkland	Treasurer	50,000*	2024
Joseph F. Spevak	Secretary	50,000*	2024
Richard Primiano	Assistant Secretary	50,000*	2025

Other Officials

Joseph Youssouf Board Attorney

*Blanket Bond Coverage

Surety Company

First Responder Joint Insurance Fund

See Independent Auditor's Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Comments and Recommendations
Years Ended December 31, 2022 and 2021

Scope of Examination and Conditions of Records

We have audited the basic financial statements of the Township of Manalapan Fire District No. 2, Monmouth County, New Jersey (the "District") for the years ended December 31, 2022 and 2021. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the General Comments and Recommendations for the year then ended.

The financial records were 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, 2022 were reconciled with statements issued by the depositories.

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

Examination of Bills

Paid bills 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 results of testing did not disclose any discrepancies with respect to signatures, certification, or supporting documentation.

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

Testing of Cash Receipts

A test check of cash receipts was performed. The results of the test did not disclose any discrepancies.

Contracts and Agreements Required to be Advertised (N.J.S.A.40A:11-4)

N.J.S.A. 40A:11-4 states, "Every contract 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 therefor, except as is provided otherwise in this act or specifically by any other law. N.J.S. 40A:11-3 defines the bid threshold for any contract awarded as \$17,500."

The commissioners of the District have the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year where questions arise as to 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 testing indicated that eight individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies", in excess of the statutory thresholds where advertising for bids in accordance with provisions of N.J.S.A. 40A:11-21 was not required as they were state contract purchases.

Review of the minutes and financial transactions did not identify any bids requested by public advertising.

See Independent Auditor's Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Comments and Recommendations
Years Ended December 31, 2022 and 2021

The minutes indicate that resolutions were adopted 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 or hiring 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.

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$17,500 "for the performance of any work or the furnishings or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of (N.J.S.A.40A:11-6.1).

The supporting documentation indicated that quotes were requested for all items that required them.

Capital Assets

The Capital Asset subledger was maintained properly and a reconciliation between the physical and perpetual inventory records was performed at year-end.

Miscellaneous

An exit conference was held in accordance with the Generally Accepted Governmental Auditing Standards in the United States of America.

Acknowledgment

We received the complete cooperation of all staff of the District and we greatly appreciate the courtesies extended to the members of the audit team during our audit, we did not note any problems or weaknesses significant enough that would affect our ability to express an opinion on the financial statements taken as a whole.

Recommendations

None

Prior Year Comments

None, except those found in prior year schedule of financial statement findings.

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,

September 13, 2023

See Independent Auditor's Report.

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,
Township of Manalapan Fire District No. 2
Monmouth County, New Jersey:

We have audited, 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 by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities, each fund of Township of Manalapan Fire District No. 2, Monmouth County, New Jersey, (the "District") as of and for the year ended December 31, 2022, and the related notes to financial statements, which collectively comprise Township of Marlboro Fire District No. 3's basic financial statements, and have issued our report thereon dated September 13, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting ("internal control") as a basis for designing 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 district's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 13, 2023

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of Findings and Responses under Generally Accepted Government
Auditing Standards
Year Ended December 31, 2022

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, State of New Jersey.

Material Weaknesses

None reported.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of Prior Year Findings and Responses
Year Ended December 31, 2021

Schedule of Prior Year Financial Statement Findings

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Material Weaknesses

None reported.