

Client/Entity Name: **MANALAPAN FIRE DISTRICT 2,**
 Client e-Mail:
 Client Phone Number:
 Client Account Number: **061510.0**
 Group:
 Originating Location: **Toms River**

Role Names	Staff Name	Budget	Actual
Responsible Person	Petrics, Ron	0	0
Tax Partner		0	0
Audit Partner	Petrics, Ron	0	0
Tax Manager		0	0
Audit Manager		0	0
Tax Reviewer		0	0
Audit Senior	Nguyen, Linh	0	0
Tax Preparer		0	0
Audit Staff	Soranno, Melissa	0	0
	Total	0	0

Current Location: **Toms River**
 Type of Task: **Audit**
 Period End: **12/31/2011**
 Description:
 Client Letter:
 Comments:

Anticipated Date:
 Due Date:
 Level Of Difficulty: **2-Moderate**
 Priority: **H-High**

Assembly Page

Attachment Type		Attachment Description					
--		--					
General Assembly Instructions							
Jurisdictions	Form	Person To Sign	Filing Method	Send To	Copy Types	# Copies	Assembly Comments
General	None	Petrics,R	Paper		Paper	15	

Shipping Page

Delivery Method: US Postal Service
 Mail To:
 Special Instructions:
 General Shipping Instructions:

Jurisdictions	Form	Who Delivered	Delivery Method	Track #	Date Delivered	Del Date Completed	Shipping Comments
General	None	DeOliveira,D	US Postal Service		08/22/2012	08/22/2012	

Extension Page

eFiled Page

Jurisdictions	Form	Who eFiled Return	Return/Consent Form Shipped	Consent Form Received On	Return eFiled	Document Control Number	eFile Accepted	eFile Rejected
General	None		08/22/2012					

Sign Off Page - Financial Tasks

<u>Sign Off Status</u>	<u>Sign Off By</u>	<u>Sign Off Date</u>	<u>Comments</u>	<u>Required SignOff Name</u>	<u>Required SignOff Date</u>	<u>Required Comments</u>
Report Prepared by	Nguyen,L	07/23/2012				
Manager Review	Nguyen,L	07/23/2012				
Primary partner review	Petrics,R	07/24/2012				
Technical/quality partner review	Linane,B	08/20/2012				
Independent partner Review						
PCAOB Review						
PCAOB concurring partner						
Draft Release approved	Petrics,R	07/24/2012				
Financial release	Petrics,R	08/21/2012				
Financial processed	DeOliveira,D	08/21/2012				
Financials sent	DeOliveira,D	08/22/2012				
W/P Binder closed	Nguyen,L	09/05/2012				

Sign Off Page - Compliance Letters

<u>Sign Off Status</u>	<u>Sign Off By</u>	<u>Sign Off Date</u>	<u>Comments</u>	<u>Required SignOff Name</u>	<u>Required SignOff Date</u>	<u>Required Comments</u>
Client risk assesment						
Independence Approved						
A/R Independence approved						
Engagement letter sent						

Representative letter received						
Legal letter received						
Management comment approved						
SAS112 letter approve						

Sign Off Page - New Client Acceptance

<u>Sign Off Status</u>	<u>Sign Off By</u>	<u>Sign Off Date</u>	<u>Comments</u>	<u>Required SignOff Name</u>	<u>Required SignOff Date</u>	<u>Required Comments</u>
Partner Approved						
Line of service approved						
Second partner approved						

Change Status Details

Status Changed From	Status Changed To	Changed By	Changed On	Assigned To
No Info In	No Info In	Sweeney, Janice A	12/16/2011	Sweeney, Janice A
No Info In	Open Review Points	Petric, Ron C	07/24/2012	Nguyen, Linh
Open Review Points	Quality Control Review	Nguyen, Linh	07/24/2012	Linane, Beverly
Quality Control Review	Quality Control Review - Open Items	Linane, Beverly	08/19/2012	Nguyen, Linh
Quality Control Review - Open Items	Quality Control Review	Nguyen, Linh	08/20/2012	Linane, Beverly
Quality Control Review	Partner Review	Linane, Beverly	08/20/2012	Nguyen, Linh
Partner Review	Report Processing	Petric, Ron C	08/21/2012	DeOliveira, Danielle
Report Processing	Completed	DeOliveira, Danielle	08/22/2012	

**TOWNSHIP OF MANALAPAN
FIRE DISTRICT NO. 2
MONMOUTH COUNTY, NEW JERSEY**

Financial Statements

December 31, 2011 and 2010

With Independent Auditors' Report

Township of Manalapan Fire District No. 2
Table of Contents
December 31, 2011 and 2010

	Page(s)
Management’s Discussion and Analysis	A1-A5
Independent Auditors’ Report	1-2
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Financial Statements	
Statements of Net Assets and Governmental Funds Balance Sheets	5-6
Statements of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances.....	7-8
Notes to Basic Financial Statements	9-17
Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – All Governmental Fund Types.....	18-20
Notes to Supplementary Information	21-22
Other Schedules	
Schedules of Improvement Authorizations – Capital Fund.....	23-24
Schedules of Deferred Charges to Future Taxation – Capital Fund	25-26
Supplemental Information	
Statistical Information.....	27
Roster of Officials.....	28
Comments and Recommendations	29-30
Schedule of Findings and Recommendations	31
Schedule of Prior Year Findings and Recommendations.....	32

**BOARD OF FIRE COMMISSIONERS
MANALAPAN TOWNSHIP FIRE DISTRICT #2
P.O. BOX 54
TENNENT, NEW JERSEY 07763**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Township of Manalapan Fire District No. 2's financial performance provides an overview of the District's financial activities for the year ended December 31, 2011.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provides information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities, these statements tell how district services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as a Board for the benefit of those outside of the government.

Reporting on the District as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base and the condition of the District's equipment to assess the overall health of the District.

In the Statement of Net Assets and the Statement of Activities, we divide the District into two kinds of activities;

- General Fund activities – Most of the District's basic services are reported here. Property Tax Levies finance most of these activities.
- Capital Fund activities – The District's equipment acquisitions are financed by prior levies and approved by the taxpayers. The District's acquisitions are reported here.

Reporting on the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants.

- General funds – Most of the District's basic services are reported in general funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The general fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. General fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between general fund activities (reported in the Statement of Net Assets and the Statement of Activities) and capital funds in reconciliation at the bottom of the fund financial statements.

The District as a Board

Reporting on the District's Fiduciary Responsibilities

The District is a board of commissioners for the safety and protection of the residents within its boundaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

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

	2011 GAAP Basis		Total	Increase (Decrease) over 2010	Percentage Increase (Decrease)
	General Fund Activities	Capital Fund Activities			
Assets					
Current and other assets	\$ 521,303	\$ 686,287	\$ 1,207,590	\$ 5,096	0.42%
Capital assets	-	2,550,302	2,550,302	(119,372)	(4.47%)
Total assets	<u>\$ 521,303</u>	<u>\$ 3,236,589</u>	<u>\$ 3,757,892</u>	<u>\$ (114,276)</u>	(2.95%)
Total liabilities	\$ 292,234	\$ 890,000	\$ 1,182,234	\$ (261,187)	(18.09%)
Net assets					
Invested in capital assets, net of accumulated depreciation and related debts			1,527,694	169,519	12.48%
Restricted for capital acquisitions			207,926	95,904	85.61%
Unrestricted			840,038	(118,512)	(12.36%)
Total net assets			<u>2,575,658</u>	<u>146,911</u>	6.05%
Total liabilities and net assets			<u>\$ 3,757,892</u>	<u>\$ (114,276)</u>	(2.95%)

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

Governmental Activities

The General Fund is mainly to provide fire protection to its residents, educate the public as to fire prevention and precaution, and to train qualified personnel. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose. Capital Fund Activities are mainly to provide for the acquisition of major fire equipment for fire extinguishment.

THE DISTRICT'S FUNDS

The following schedule presents a summary of general, capital fund revenues and expenditures for the fiscal year ended December 31, 2011 and the amount and percentage of increases and decreases in relation to the prior year.

	2011 GAAP Basis	Percentage of Total Revenues	Increase (Decrease) over 2010	Percentage Increase (Decrease)
Revenues				
District taxes	\$ 1,032,482	99.05%	\$ 22,086	2.19%
Supplemental fire services grant	2,631	0.25%	-	0.00%
Interest income	7,542	0.72%	(5,194)	(40.78%)
Miscellaneous income	206	0.02%	206	100.00%
Loss on disposition of fixed assets	(491)	(0.04%)	4,552	(90.26%)
	<u>\$ 1,042,370</u>	<u>100.00%</u>	<u>\$ 21,650</u>	<u>2.12%</u>

As with prior years, district revenues experienced a moderate increase this year.

	2011 GAAP Basis	Percentage of Total Expenditures	Increase (Decrease) over 2010	Percentage Increase (Decrease)
Expenditures				
Salaries and wages	\$ 89,923	10.04%	\$ 6,911	8.33%
Fringe benefits	63,096	7.05%	635	1.02%
Election	830	0.09%	60	7.79%
Dues	1,984	0.22%	79	4.15%
Office expenses and supplies	33,056	3.69%	6,233	23.24%
Professional services	53,239	5.95%	6,208	13.20%
Travel expenses	22,883	2.56%	(5,713)	(19.98%)
Communication expenses	25,676	2.87%	8,226	47.14%
Purchase of assets not included as capital outlays	15,310	1.71%	(12,594)	(45.13%)
Promotion	219	0.02%	(201)	(47.86%)
Insurance	94,671	10.57%	14,029	17.40%
Maintenance and repairs	70,601	7.88%	(7,660)	(9.79%)
Contractual	58,026	6.48%	5,762	11.02%
Other rental charges	105,352	11.77%	4,052	4.00%
Uniforms	4,976	0.56%	(5,294)	(51.55%)
Training	1,814	0.20%	1,380	317.97%
Computer expenses	5,584	0.62%	396	7.63%
Communication equipment	2,086	0.23%	1,897	1003.70%
First Aid	10,000	1.12%	-	0.00%
Interest on BAN and serial bonds	48,595	5.43%	(8,139)	(14.35%)
Depreciation expense	187,538	20.94%	3,863	2.10%
	<u>\$ 895,459</u>	<u>100.00%</u>	<u>\$ 20,130</u>	<u>2.30%</u>

Some expenditures are contractual in nature and because of market fluctuations, they can vary from year to year depending on the circumstances. Overall, the District experienced an increase in total expenditures of approximately \$20,000, or 2%, due to the rising costs of operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

The budget relied on the expectation of a moderate increase in the district tax base. The district tax base increased, but the tax rate remained constant which produced a revenue increase of approximately \$23,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

	2010 GAAP Basis	Additions/ Transfer In	Disposals/ Transfer Out	2011 GAAP Basis	Percentage Increase (Decrease)
Capital assets					
Land	\$ 420,903	\$ -	\$ -	\$ 420,903	0.00%
Leasehold Improvements	586,783	304,273	-	891,056	51.85%
Equipment	879,969	34,442	50,393	864,018	(1.81%)
Trucks and vehicles	2,404,115	15,968	-	2,420,083	0.66%
Leasehold Improvements (in progress)	299,896	22,977	304,273	18,600	(93.80%)
Equipment (in progress)	8,606	3,876	8,606	3,876	(54.96%)
	<u>4,600,272</u>	<u>381,536</u>	<u>363,272</u>	<u>4,618,536</u>	0.40%
Accumulated depreciation	<u>1,930,598</u>	<u>187,538</u>	<u>49,902</u>	<u>2,068,234</u>	7.13%
Capital assets, net	<u>\$ 2,669,674</u>	<u>\$ 193,998</u>	<u>\$ 313,370</u>	<u>\$ 2,550,302</u>	(4.47%)

The District accounted for its purchase of various equipment and completed work done on the kitchen and bath project in the current year.

Debts

At year end, the District had \$890,000 in capital serial bonds outstanding versus \$1,140,000 last year – a decrease of 22%.

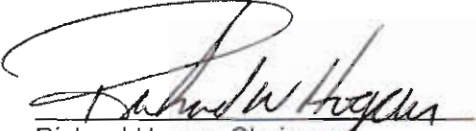
More detailed information about the District's long-term liabilities is presented in Note 10 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

With the increase in district taxes experienced this year, next year's general fund budget was determined based on an increase due to an increase in the district tax base and a higher 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.



Richard Hogan, Chairman
Board of Fire Commissioners



WithumSmith+Brown, PC
Certified Public Accountants and Consultants

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

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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the Township of Manalapan Fire District No. 2, Monmouth County, New Jersey as of and for the years ended December 31, 2011 and 2010. These general purpose financial statements are the responsibility of the Fire District's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and in compliance with the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Township of Manalapan Fire District No. 2, Monmouth County, New Jersey as of December 31, 2011 and 2010, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 1, 2012 on our consideration of the Township of Manalapan Fire District No. 2's, Monmouth County, New Jersey internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report and considered in assessing the results of our audits.



The accounting principles generally accepted in the United States of America required that the Management's Discussion and Analysis on page A1 through A5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standard Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

The Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual, Schedule of Deferred Charges to Future Taxation - Capital Fund, and Schedule of Improvement Authorization - Capital Fund included in the contents of this report are presented for purposes of additional analysis and are not required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 and 2010 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual, Schedule of Deferred Charges to Future Taxation - Capital Fund, and Schedule of Improvement Authorizations - Capital Fund are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

The Statistical Information and Roster of Officials, which are the responsibility of management, are presented for the purpose of additional analysis and are not a required a part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

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

Ronald C. Petrics
Registered Municipal Accountant (# 474)

August 1, 2012



WithumSmith+Brown, PC
Certified Public Accountants and Consultants

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

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

**Report On Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

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

We have audited the financial statements of Township of Manalapan Fire District No. 2 Monmouth County, New Jersey as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 1, 2012. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in compliance with the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Township of Manalapan Fire District No. 2 is responsible for establishing and maintaining effective internal control. In planning and performing our audits, we considered Township of Manalapan Fire District No. 2's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Township of Manalapan Fire District No. 2's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Township of Manalapan Fire District No. 2's internal control over financial reporting.

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Township of Manalapan Fire District No. 2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Commissioners, others within the entity, and the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not intended to be and should not be used by anyone other than these specified parties.

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

Ronald C. Petrics
Registered Municipal Accountant (# 474)

August 1, 2012

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Statement of Net Assets and Governmental Funds Balance Sheet
December 31, 2011

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Assets</u>
Assets					
Cash and investments	\$ 514,372	\$ 686,287	\$ 1,200,659	\$ -	\$ 1,200,659
Prepaid expenses	6,931	-	6,931	-	6,931
Interfund receivable	197,859	-	197,859	(197,859)	-
Capital assets, net	-	-	-	2,550,302	2,550,302
Amount to be provided for retirement of debts	-	890,000	890,000	(890,000)	-
	<u>\$ 719,162</u>	<u>\$ 1,576,287</u>	<u>\$ 2,295,449</u>	<u>\$ 1,462,443</u>	<u>\$ 3,757,892</u>
Liabilities					
Current liabilities:					
Accounts payable	\$ 19,977	\$ -	\$ 19,977	\$ -	\$ 19,977
Encumbrances payable	1,775	17,700	19,475	-	19,475
PERSPP	9,535	-	9,535	-	9,535
Reserve for LOSAP trust	110,639	-	110,639	-	110,639
Accrued interest	-	-	-	7,088	7,088
Capital lease payable - current	-	-	-	39,914	39,914
Serial bonds payable - current	-	150,000	150,000	-	150,000
Interfund payable	-	197,859	197,859	(197,859)	-
Improvement authorizations	-	207,926	207,926	(207,926)	-
Total current liabilities	141,926	573,485	715,411	(358,783)	356,628
Other liabilities:					
Capital lease payable - long-term	-	-	-	85,606	85,606
Serial bonds payable - long-term	-	740,000	740,000	-	740,000
Total liabilities	141,926	1,313,485	1,455,411	(358,783)	1,182,234
Fund Balances and Net Assets					
Fund balances:					
Reserved:					
Appropriation reserves	179,084	-	179,084	(179,084)	-
Unreserved:					
Designated for subsequent years' expenditures	255,180	-	255,180	(255,180)	-
Undesignated	142,972	262,802	405,774	(405,774)	-
Total fund balances	<u>577,236</u>	<u>262,802</u>	<u>840,038</u>	<u>(840,038)</u>	<u>-</u>
	<u>\$ 719,162</u>	<u>\$ 1,576,287</u>	<u>\$ 2,295,449</u>		
Net Assets					
Invested in capital assets, net of accumulated depreciation and related debts				1,527,694	1,527,694
Restricted for capital acquisitions				207,926	207,926
Unrestricted				840,038	840,038
				<u>\$ 2,575,658</u>	<u>\$ 2,575,658</u>

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

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Statement of Net Assets and Governmental Funds Balance Sheet
December 31, 2010

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Assets</u>
Assets					
Cash and investments	\$ 575,290	\$ 618,519	\$ 1,193,809	\$ -	\$ 1,193,809
Prepaid insurance	8,685	-	8,685	-	8,685
Interfund receivable	186,454	-	186,454	(186,454)	-
Capital assets, net	-	-	-	2,669,674	2,669,674
Amount to be provided for retirement of debts	-	1,140,000	1,140,000	(1,140,000)	-
	<u>\$ 770,429</u>	<u>\$ 1,758,519</u>	<u>\$ 2,528,948</u>	<u>\$ 1,343,220</u>	<u>\$ 3,872,168</u>
Liabilities					
Current liabilities:					
Accounts payable	\$ 24,997	\$ -	\$ 24,997	\$ -	\$ 24,997
Encumbrances payable	7,549	-	7,549	-	7,549
PERSPP	8,461	-	8,461	-	8,461
Reserve for LOSAP trust	90,915	-	90,915	-	90,915
Accrued interest	-	-	-	7,875	7,875
Capital lease payable - current	-	-	-	38,104	38,104
Serial bonds payable - current	-	250,000	250,000	-	250,000
Interfund payable	-	186,454	186,454	(186,454)	-
Improvement authorizations	-	112,022	112,022	(112,022)	-
Total current liabilities	131,922	548,476	680,398	(252,497)	427,901
Other liabilities:					
Capital lease payable - long-term	-	-	-	125,520	125,520
Serial bonds payable - long-term	-	890,000	890,000	-	890,000
Total liabilities	131,922	1,438,476	1,570,398	(252,497)	1,443,421
Fund Balances and Net Assets					
Fund balances:					
Reserved:					
Appropriation reserves	212,703	-	212,703	(212,703)	-
Unreserved:					
Designated for subsequent years'					
expenditures	245,975	125,000	370,975	(370,975)	-
Undesignated	179,829	195,043	374,872	(374,872)	-
Total fund balances	<u>638,507</u>	<u>320,043</u>	<u>958,550</u>	<u>(958,550)</u>	<u>-</u>
	<u>\$ 770,429</u>	<u>\$ 1,758,519</u>	<u>\$ 2,528,948</u>		
Net Assets					
Invested in capital assets, net of accumulated depreciation and related debts				1,358,175	1,358,175
Restricted for capital acquisitions				112,022	112,022
Unrestricted				958,550	958,550
				<u>\$ 2,428,747</u>	<u>\$ 2,428,747</u>

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

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Statement of Activities and Governmental Fund Revenues, Expenditures and
Changes in Fund Balances
Year Ended December 31, 2011

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures:					
Operating appropriations	\$ 1,036,373	\$ -	\$ 1,036,373	\$ (140,914)	\$ 895,459
Capital appropriations	<u>188,000</u>	<u>-</u>	<u>188,000</u>	<u>(188,000)</u>	<u>-</u>
Total expenditures	1,224,373	-	1,224,373	(328,914)	895,459
Revenues and other financing sources:					
General revenues:					
District taxes	1,032,482	-	1,032,482	-	1,032,482
Supplemental fire services grant	2,631	-	2,631	-	2,631
Interest income	2,783	4,759	7,542	-	7,542
Miscellaneous income	206	-	206	-	206
Loss on disposition of fixed assets	-	-	-	(491)	(491)
Fund balance utilized - restricted	<u>125,000</u>	<u>-</u>	<u>125,000</u>	<u>(125,000)</u>	<u>-</u>
Total general revenues	1,163,102	4,759	1,167,861	(125,491)	1,042,370
Transfers:					
Reserve for future capital outlays	-	63,000	63,000	(63,000)	-
Capital fund balance utilized	<u>-</u>	<u>(125,000)</u>	<u>(125,000)</u>	<u>125,000</u>	<u>-</u>
Total transfers	<u>-</u>	<u>(62,000)</u>	<u>(62,000)</u>	<u>62,000</u>	<u>-</u>
Total general revenues and transfers	<u>1,163,102</u>	<u>(57,241)</u>	<u>1,105,861</u>	<u>(63,491)</u>	<u>1,042,370</u>
Deficit of revenues over expenditures	(61,271)	(57,241)	(118,512)	118,512	-
Change in net assets	-	-	-	146,911	146,911
Fund balances/net assets					
Beginning of the year	<u>638,507</u>	<u>320,043</u>	<u>958,550</u>	<u>1,470,197</u>	<u>2,428,747</u>
End of year	<u>\$ 577,236</u>	<u>\$ 262,802</u>	<u>\$ 840,038</u>	<u>\$ 1,735,620</u>	<u>\$ 2,575,658</u>

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

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Statement of Activities and Governmental Fund Revenues, Expenditures and
Changes in Fund Balances
Year Ended December 31, 2010

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures:					
Operating appropriations	\$ 968,804	\$ -	\$ 968,804	\$ (93,475)	\$ 875,329
Capital appropriations	<u>63,000</u>	<u>-</u>	<u>63,000</u>	<u>(63,000)</u>	<u>-</u>
Total expenditures	1,031,804	-	1,031,804	(156,475)	875,329
Revenues and other financing sources:					
General revenues:					
District taxes	1,010,396	-	1,010,396	-	1,010,396
Supplemental fire services grant	2,631	-	2,631	-	2,631
Interest income	6,595	6,141	12,736	-	12,736
Loss on disposition of fixed assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,043)</u>	<u>(5,043)</u>
Total general revenues	1,019,622	6,141	1,025,763	(5,043)	1,020,720
Transfers:					
Reserve for future capital outlays	<u>-</u>	<u>63,000</u>	<u>63,000</u>	<u>(63,000)</u>	<u>-</u>
Total transfers	-	63,000	63,000	(63,000)	-
Total general revenues and transfers	<u>1,019,622</u>	<u>69,141</u>	<u>1,088,763</u>	<u>(68,043)</u>	<u>1,020,720</u>
Excess (deficit) of revenues over expenditures	(12,182)	69,141	56,959	(56,959)	-
Change in net assets	-	-	-	145,391	145,391
Fund balances/net assets					
Beginning of the year	<u>650,689</u>	<u>250,902</u>	<u>901,591</u>	<u>1,381,765</u>	<u>2,283,356</u>
End of year	<u>\$ 638,507</u>	<u>\$ 320,043</u>	<u>\$ 958,550</u>	<u>\$ 1,470,197</u>	<u>\$ 2,428,747</u>

The accompanying 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, 2011 and 2010

1. Summary of Significant Accounting Policies

The accounting policies of the Township of Manalapan Fire District No. 2 (District) conform to the accounting principles applicable to special districts which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. For the years ended December 31, 2011 and 2010, the financial statements of the Township of Manalapan Fire District No. 2 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The district is an instrumentality of the State of New Jersey, established to function as a special district. The Board of Fire Commissioners consists of elected officials and is responsible for the fiscal control of the District.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the District over which the board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation

Combined Fund and Government-wide Financial Statements

As a special purpose governmental entity engaged in a single governmental program the District has opted to present its financial data in the form of combined fund and government-wide financial statements to simplify their annual financial reporting process.

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

Governmental Fund Types

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

Capital Fund: The capital fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities.

In conformity with GASB 34, the District's combined fund and government-wide financial statements present adjustments to reconcile the general and capital fund balances to net assets.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2011 and 2010

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

C. Basis of Accounting

Fund Basis of Accounting

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

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

Government-wide Basis of Accounting

The government-wide statements are presented using the accrual basis of accounting. Under the full accrual basis, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

D. Budgets/Budgetary Control

Annual budgets are prepared each year for the operations of the fire districts. The budgets are approved by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The budgets are then voted upon by the public.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and the fund basis of accounting previously described. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at year end.

E. Encumbrances

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Specific encumbrances in governmental funds are reported as liabilities at year end as they do not constitute expenditures, but rather commitments related to unperformed contracts for goods and services.

The encumbered appropriation authority carries over into the following year. The balance of the unencumbered appropriations is recorded as a reserve to fund balance for unrecorded expenditures and commitments that pertain to the prior year. At the end of the following year, an entry will be made to fund balance for the unexpended appropriations of the prior year.

F. Fixed Assets

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

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2011 and 2010

In the government-wide basis of accounting, fixed assets are accounted for as capital assets. The District generally capitalizes assets with a cost of \$400 or more as outlays occur. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable.

Depreciation of all fixed assets is recorded as an operating expense in the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances with accumulated depreciation reflected in the Statement of Net Assets and Governmental Funds Balance Sheet. Depreciation is provided over the assets' estimated useful lives using the straight line method of depreciation, generally 10-20 years for fire trucks and vehicles, 5-10 years for equipment, and 7-40 years for leasehold improvements.

G. Interfund Transactions and Balances

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Transfers between the general and capital fund of the District net to zero on the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those loans are reported as interfund receivables and payables on the fund basis of accounting. Interfund payables and receivables between funds are eliminated in the Statement of Net Assets and Governmental Funds Balance Sheet.

H. Fund Equity

Fund Basis

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

Government-wide Basis

Equity is classified as net assets and is displayed in three components:

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

2. Adjustments to Arrive at Net Assets

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

For the years ended December 31, 2011 and 2010 capital assets, net in the amount of \$2,550,302 and \$2,669,674, respectively, and invested in capital assets, net of accumulated depreciation and related debts in the amount of \$1,527,694 and \$1,358,175, respectively, have been included in the government-wide presentation.

B. Interfund Receivables and Payables

For the years ended December 31, 2011 and 2010 interfund balances in the amount of \$197,859 and \$186,454, respectively have been eliminated in arriving at the government-wide presentation.

C. Fund Balances, Unrestricted Net Assets, and Net Assets Restricted for Capital Acquisitions

For the years ended December 31, 2011 and 2010, fund balances in the amount of \$840,038 and \$958,550, respectively, have been eliminated. Unrestricted net assets in the amount of \$840,038 and \$958,550 respectively, and net assets restricted for capital acquisitions in the amount of \$207,926 and \$112,022, respectively, have been included in the government-wide presentation.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2011 and 2010

D. Improvement Authorizations

Improvement authorizations, which are liabilities that represent the District's earmarking of fund balances for a specified future project, do not represent liabilities as defined by U.S. generally accepted accounting principles. Therefore, for the years ended December 31, 2011 and 2010 improvement authorizations in the amount of \$207,926 and \$112,022, respectively, have been eliminated in arriving at the government-wide presentation.

E. Amount to Be Provided for Retirement of Debts

For the years ended December 31, 2011 and 2010 amounts to be provided for retirement of debts in the amount of \$890,000 and \$1,140,000, respectively, have been eliminated in arriving at the government-wide presentation.

F. Lease Payable

Capital lease installments are reported as an expense in the year the payments are made for budgetary purposes. For GAAP purpose, the outstanding lease amount is recorded as liability. Therefore, for the years ended December 31, 2011 and 2010 the lease payable in the amount of \$125,520 and \$163,624, respectively, have been included in government-wide presentation.

G. Accrued Interest

Accrued interest is not an expense for budgetary purpose. For GAAP purpose it is a liability and an expense; therefore, for the years ended December 31, 2011 and 2010 the accrued interest in the amount of \$7,088 and \$7,875, respectively, have been included in the government-wide presentation.

3. Adjustments to Arrive at the Change in Net Assets

A. Operating Appropriations

For the year ended December 31, 2011, depreciation expense in the amount of \$187,538 has been included in the government-wide presentation. Additionally, to account for fixed asset purchases expensed under the fund basis of accounting, purchase of assets not included as capital outlays expense has been decreased by \$61,569, uniforms have been decreased by \$11,090, maintenance has been decreased by \$1,089, computer expenses have been decreased by \$4,319, communication equipment has been decreased by \$5,717 and professional services have been increased by \$6,119. In addition, principal payments on serial bonds expense have been decreased by \$250,000. The interest on serial bonds is also decreased by \$787. The net effect on operating appropriations is a decrease of \$140,914.

For the year ended December 31, 2010, depreciation expense in the amount of \$183,675 has been included in the government-wide presentation. Additionally, to account for fixed asset purchases expensed under the fund basis of accounting, purchase of assets not included as capital outlays expense has been decreased by \$51,656, uniforms have been decreased by \$18,029, maintenance has been decreased by \$15,140, repairs has been decreased by \$12,906, computer expenses have been decreased by \$8,202, and communication equipment has been decreased by \$3,998. In addition, principal payments on serial bonds expense have been decreased by \$160,000. The interest on bond anticipation note and serial bonds is also decreased by \$7,219. The net effect on operating appropriations is a decrease of \$93,475.

B. Capital Appropriations and Related Transfers

For the year ended December 31, 2011, capital appropriations were reduced by \$188,000 and related transfers were increased by \$62,000 on the government-wide presentation to eliminate the general fund expenditure and capital fund revenue related to the creation of improvement authorizations.

For the year ended December 31, 2010, capital appropriations and related transfers have been reduced by \$63,000 on the government-wide presentation to eliminate the general fund expenditure and capital fund revenue related to the creation of improvement authorizations.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2011 and 2010

C. Loss on Disposition of Fixed Assets

For the years ended December 31, 2011 and 2010 loss on disposition of assets in the amount of \$491 and \$5,043, respectively, have been included in the government-wide presentation to capture the disposal of assets that were not fully depreciated.

D. Fund Balance Utilized - Restricted

For budgetary basis, fund balance utilized - restricted is revenue in the year it was anticipated. It does not represent revenue as defined by U.S. generally accepted accounting principles. Therefore, for the years ended December 31, 2011 and 2010 fund balance utilized - restricted in the amount of \$125,000 and \$0, respectively, have been eliminated in the government-wide presentation.

4. Deposits and Investments

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

The market value of the collateral must equal 5 percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. The State of New Jersey Cash Management fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which mature within one year. Collateralization of fund investments is generally not required.

The cash on deposit is partially insured by federal deposit insurance in the amount of \$250,000 in each depository. Balances above the federal deposit insurance amount are insured by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., which insures all New Jersey governmental units' deposits in excess of the federal deposit insurance maximums. Cash determined by the Board of Commissioners, consists of all bank accounts including certificates of deposits. The rates for the certificates of deposit range from .35 to 1.0 percent.

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

	<u>2011</u>	<u>2010</u>
Brunswick Bank & Trust – Checking	\$ 75,336	\$ 7,288
Brunswick Bank & Trust – Payroll	1,054	2,229
Brunswick Bank & Trust – Savings-General	116,891	142,362
Brunswick Bank & Trust – Savings-Capital	4,328	4,313
Brunswick Bank & Trust – CDs	1,003,011	1,037,578
Petty Cash	39	39
Total Cash	<u>\$ 1,200,659</u>	<u>\$ 1,193,809</u>

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2011 and 2010

The carrying amount of the Board's cash at December 31, 2011 was \$1,200,659 and the bank balance was \$1,229,295. Of the balance, \$250,000 was covered by federal depository insurance and \$979,295 was covered by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., for all New Jersey governmental units' deposits in excess of the federal deposit maximums.

The cash deposits held at financial institutions can be categorized according to three levels of risk as described below:

Category 1	Deposits which are covered by FDIC, or collateralized by securities held by the District or its agent, in the District's name	\$ 250,000
Category 2	Deposits which are collateralized with securities held by the pledging financial institution's trust department, or Agent in the District's name.	979,295
Category 3	Deposits which are not collateralized or insured	39

Investments

New Jersey statutes establish the following securities as eligible for the investment of District funds:

- (a) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (b) Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Associates or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- (c) Bonds or other obligations of the District or bonds or other obligations of school districts of which the district is a part or within which the school district is located.
- (d) Bonds or other obligations, having a maturity date of not more than twelve months from the date of purchase, which are approved by the New Jersey Department of Treasury, Division of Investments.
- (e) Qualified mutual funds with portfolios limited to (i) bonds or other obligations of, or guaranteed by, the United States of America; and (ii) repurchase agreements fully collateralized by such obligations. These investments must be transacted only through national or state banks located within New Jersey.

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

5. Assessment and Collection of Money Authorized By Voters

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

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2011 and 2010

The collector or treasurer of the municipality, in which said district is situated, shall pay over all moneys so assessed to the treasurer or custodian of funds of said fire district as follows; on or before April 1, an amount equaling 21.25% of all moneys so assessed; on or before July 1, an amount equaling 22.5% of all monies so assessed; on or before October 1, an amount equaling 25% of all monies so assessed; and on or before December 31, an amount equaling the difference between the total of all monies so assessed and the total amount of such monies previously paid over, to be held and expended for the purpose of providing and maintaining means for extinguishing fires in such district.

Notwithstanding anything herein to the contrary, the municipal governing body may authorize, in the cash management plan adopted by it pursuant to N.J.S. 40A:5-14, a schedule of payments of fire districts moneys by which an amount greater than required on any of the first three payment dates cited herein may be paid over. The municipal governing body and board of fire commissioners may, by concurrent resolution, adopt a schedule of payments of fire district moneys by which an amount less than required in any of the first three payment dates, cited herein may be paid over. Such resolution shall be included in the cash management plan adopted by the municipal governing body pursuant to N.J.S. 40A:5-14.

The commissioners may also pay back, or cause to be paid back to such municipality, any funds or any part thereof paid to the treasurer or custodian of funds of such fire district by the collector or treasurer of the municipality, representing taxes levied for fire district purposes but not actually collected in cash by said collector or treasurer.

6. Funding

The activities of the 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, 2011 and 2010, the fire tax rate on Fire District No. 2 was \$.047 in each year 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.

The District also participates in the Supplemental Fire Services Program. For the years ended December 31, 2011 and 2010, the District received amount of \$2,631 in each year.

7. LOSAP

The District maintains a LOSAP (Length of Service Awards Program) plan. The plan is considered to be a deferred compensation plan for volunteers and the contribution is not based on compensation. New Jersey Statues set the contribution limits. The contributions for 2011 and 2010 were \$34,276 and \$30,320, respectively.

8. Pension Plan

Plan Description

The employees of the Township of Manalapan Fire District No. 2 contribute to the Public Employee's retirement System Pension Plan (PERSPP), a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits. PERSPP provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The State of New Jersey assigns the authority to establish and amend benefit provisions to the PERSPP Board of Trustees. The State of New Jersey Retirement system issues a publicly available financial report that includes financial statements and required supplementary information for PERSPP.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2011 and 2010

Funding Policy

Plan members are required to contribute 6.50% of their annual covered salary for PERSPP. The contribution requirements of plan members are established and may be amended by the PERSPP Board of Trustees. The PERSPP expense for 2011 and 2010 was \$9,096 and \$8,461, respectively.

9. Capital Assets

The following schedule is a summarization of the capital assets by source for the year ended December 31, 2011:

	Balance as of 12/31/10	Additions	Transfer In (Out)	Deletions	Balance as of 12/31/11
Land	\$ 420,903	\$ -	\$ -	\$ -	\$ 420,903
Leasehold improvements	586,783	-	304,273	-	891,056
Equipment	879,969	25,836	8,606	(50,393)	864,018
Trucks & vehicles	2,404,115	15,968	-	-	2,420,083
Leasehold improvements in progress	299,896	22,977	(304,273)	-	18,600
Equipment - in progress	8,606	3,876	(8,606)	-	3,876
	<u>\$ 4,600,272</u>	<u>\$ 68,657</u>	<u>\$ -</u>	<u>\$ (50,393)</u>	<u>\$ 4,618,536</u>
Accumulated depreciation	<u>\$ 1,930,598</u>	<u>\$ 187,538</u>	<u>\$ -</u>	<u>\$ (49,902)</u>	<u>\$ 2,068,234</u>

Depreciation expense for the years ended December 31, 2011 and 2010 amounted to \$187,538 and \$183,675, respectively.

10. Long-Term Debts

Serial Bonds

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

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance As Of 12/31/11</u>
Land improvements, chassis and generator	01/15/02	\$ 850,000	4.60%	\$ 260,000
Pierce quantum pumper	04/01/10	\$ 700,000	4.50%	<u>630,000</u>
Total serial bonds payable				890,000
Less: current maturities of serial bonds payable				<u>150,000</u>
Serial bonds payable, long-term				<u>\$ 740,000</u>

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2011 and 2010

Future debt service requirements for serial bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 150,000	\$ 36,895	\$ 186,895
2013	160,000	29,835	189,835
2014	160,000	22,545	182,545
2015	70,000	17,325	87,325
2016	70,000	14,175	84,175
2017 and after	280,000	25,200	305,200
Total	<u>\$ 890,000</u>	<u>\$ 145,975</u>	<u>\$ 1,035,975</u>

11. Lease Payable

On July 1, 2009, the District entered into a lease with option to purchase agreement with New Jersey Fire Equipment Co. for SCBA equipment. The lease is in the amount of \$200,000 for the period of five years at the interest rate of 4.75%.

Future lease installments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Rental Payment</u>
2012	\$ 39,914	\$ 5,962	\$ 45,876
2013	41,810	4,066	45,876
2014	43,796	2,080	45,876
Total	<u>\$ 125,520</u>	<u>\$ 12,108</u>	<u>\$ 137,628</u>

12. 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 29, 2012. The amount of consideration for the years ended December 31, 2011 and 2010 was \$105,352 and \$101,300, respectively.

The District also has an agreement with the Englishtown Fire Department for fire protection services, with an expiration date of February 29, 2012. The amount of consideration for the years ended December 31, 2011 and 2010 was \$36,167 and \$34,445, respectively.

Both service agreements were renewed for an additional year.

13. Risk Assessment

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

14. Subsequent Events

The District has evaluated subsequent events occurring after December 31, 2011 through the date of August 1, 2012, which is the date the financial statements were available to be issued. Based on this evaluation, the District has determined that no subsequent events have occurred which require disclosure in the financial statements.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - All Governmental Fund Types
Year Ended December 31, 2011

	Governmental Fund Type		Total Actual Amounts			Budgeted Amounts		Budgetary Variance
	General Fund	Capital Fund	Budgetary Basis	Adjustments Note B	GAAP Basis	Original	Final	
Revenues:								
District taxes	\$ 1,032,482	\$ -	\$ 1,032,482	\$ -	\$ 1,032,482	\$ 1,032,482	\$ 1,032,482	\$ -
Supplemental fire services grant	2,631	-	2,631	-	2,631	-	-	2,631
Interest income	2,783	4,759	7,542	-	7,542	-	-	7,542
Miscellaneous income	206	-	206	-	206	-	-	206
Loss on disposal of fixed assets	-	-	-	(491) ⁽³⁾	(491)	-	-	-
Fund balance utilized - unrestricted	-	-	-	-	-	245,975	245,975	(245,975)
Fund balance utilized - restricted	125,000	-	125,000	(125,000)	-	125,000	125,000	-
Total revenues	1,163,102	4,759	1,167,861	(125,491)	1,042,370	1,403,457	1,403,457	(235,596)
Transfers:								
Reserve for future capital outlays	-	63,000	63,000	(63,000)	-	-	-	63,000
Capital fund balance utilized	-	(125,000)	(125,000)	125,000	-	-	-	(125,000)
Total transfers	-	(62,000)	(62,000)	62,000	-	-	-	(62,000)
Total general revenues and transfers	1,163,102	(57,241)	1,105,861	(63,491)	1,042,370	1,403,457	1,403,457	(297,596)
Expenditures:								
Operating appropriations:								
Administration:								
Election	830	-	830	-	830	3,000	3,000	2,170
Office expenses	10,264	-	10,264	-	10,264	17,650	17,650	7,386
Professional services	39,875	-	39,875	6,119 ⁽¹⁾	45,994	50,000	50,000	10,125
Travel expenses	15,952	-	15,952	-	15,952	20,000	20,000	4,048
Dues	1,435	-	1,435	-	1,435	2,000	2,000	565
Communication expenses	25,676	-	25,676	-	25,676	18,000	19,000	(6,676)
Purchase of assets not included as capital outlays	1,400	-	1,400	(1,350) ⁽¹⁾	50	7,000	3,000	1,600
Contingent	-	-	-	-	-	2,500	2,500	2,500
Total administration	95,432	-	95,432	4,769	100,201	120,150	117,150	21,718

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

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - All Governmental Fund Types
Year Ended December 31, 2011

	Governmental Fund Type		Total Actual Amounts			Budgeted Amounts		Budgetary Variance
	General Fund	Capital Fund	Budgetary Basis	Adjustments Note B	GAAP Basis	Original	Final	
Operations and maintenance:								
Salaries and wages:								
Commissioners	33,185	-	33,185	-	33,185	33,185	33,185	-
Secretarial	1,815	-	1,815	-	1,815	1,815	1,815	-
Treasurer	3,625	-	3,625	-	3,625	3,625	3,625	-
Administrator	30,573	-	30,573	-	30,573	30,573	30,573	-
Maintenance manager	11,505	-	11,505	-	11,505	11,505	11,505	-
Training officer	2,413	-	2,413	-	2,413	2,413	2,413	-
IT specialist	6,807	-	6,807	-	6,807	6,807	6,807	-
Total salaries and wages	89,923	-	89,923	-	89,923	89,923	89,923	-
Fringe benefits:								
LOSAP	54,000	-	54,000	-	54,000	54,000	54,000	-
PERSPP	9,096	-	9,096	-	9,096	13,000	13,000	3,904
Total fringe benefits	63,096	-	63,096	-	63,096	67,000	67,000	3,904
Contractual:								
Fire hydrant service on rentals	21,859	-	21,859	-	21,859	21,000	22,000	141
Contracted services provided by volunteer fire companies	36,167	-	36,167	-	36,167	36,167	36,167	-
Total contractual	58,026	-	58,026	-	58,026	57,167	58,167	141
Other expenses:								
Promotion	219	-	219	-	219	10,000	10,000	9,781
Training	1,814	-	1,814	-	1,814	6,000	6,000	4,186
Insurance	94,671	-	94,671	-	94,671	125,000	125,000	30,329
Membership dues	549	-	549	-	549	3,500	3,500	2,951
Uniforms	16,066	-	16,066	(11,090) (1)	4,976	30,000	30,000	13,934
Supplies	22,792	-	22,792	-	22,792	22,000	24,000	1,208
Travel expenses	6,931	-	6,931	-	6,931	10,000	10,000	3,069
Maintenance	38,405	-	38,405	(1,089) (1)	37,316	60,000	60,000	21,595
Repairs	33,285	-	33,285	-	33,285	40,000	40,000	6,715

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

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - All Governmental Fund Types
Year Ended December 31, 2011

	Governmental Fund Type		Total Actual Amounts			Budgeted Amounts		Budgetary Variance
	General Fund	Capital Fund	Budgetary Basis	Adjustments Note B	GAAP Basis	Original	Final	
Other rental charges	105,352	-	105,352	-	105,352	105,352	105,352	-
Contingent expenses	-	-	-	-	-	6,000	6,000	6,000
Professional services	7,245	-	7,245	-	7,245	20,000	20,000	12,755
Computer expenses	9,903	-	9,903	(4,319) (1)	5,584	25,000	25,000	15,097
Communication equipment	7,803	-	7,803	(5,717) (1)	2,086	18,000	18,000	10,197
First aid	10,000	-	10,000	-	10,000	10,000	10,000	-
Purchase of assets not included as capital outlays	75,479	-	75,479	(60,219) (1)	15,260	80,877	80,877	5,398
Principal payments serial bonds	250,000	-	250,000	(250,000) (1)	-	250,000	250,000	-
Interest on serial bonds	49,382	-	49,382	(787) (1)	48,595	59,488	59,488	10,106
Depreciation expense	-	-	-	187,538 (1)	187,538	-	-	-
Total other expenses	<u>729,896</u>	<u>-</u>	<u>729,896</u>	<u>(145,683)</u>	<u>584,213</u>	<u>881,217</u>	<u>883,217</u>	<u>153,321</u>
Total operations and maintenance	<u>940,941</u>	<u>-</u>	<u>940,941</u>	<u>(145,683)</u>	<u>795,258</u>	<u>1,095,307</u>	<u>1,098,307</u>	<u>157,366</u>
Total operating appropriations	<u>1,036,373</u>	<u>-</u>	<u>1,036,373</u>	<u>(140,914)</u>	<u>895,459</u>	<u>1,215,457</u>	<u>1,215,457</u>	<u>179,084</u>
Capital appropriations:								
Reserve for future capital outlays	63,000	-	63,000	(63,000)	-	63,000	63,000	-
Capital Projects	<u>125,000</u>	<u>-</u>	<u>125,000</u>	<u>(125,000) (2)</u>	<u>-</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Total capital appropriations	<u>188,000</u>	<u>-</u>	<u>188,000</u>	<u>(188,000)</u>	<u>-</u>	<u>188,000</u>	<u>188,000</u>	<u>-</u>
Total expenditures	<u>1,224,373</u>	<u>-</u>	<u>1,224,373</u>	<u>(328,914)</u>	<u>895,459</u>	<u>1,403,457</u>	<u>1,403,457</u>	<u>179,084</u>
Deficit of revenues over expenditures	(61,271)	(57,241)	(118,512)	118,512	-	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (118,512)</u>
Change in net assets	-	-	-	146,911	146,911			
Fund balances, beginning of the year	<u>638,507</u>	<u>320,043</u>	<u>958,550</u>	<u>1,470,197 (4)</u>	<u>2,428,747</u>			
Fund balances, end of the year	<u>\$ 577,236</u>	<u>\$ 262,802</u>	<u>\$ 840,038</u>	<u>\$ 1,735,620</u>	<u>\$ 2,575,658</u>			

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

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Supplementary Information
Year Ended December 31, 2011

A. Budgetary Basis of Accounting

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

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

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

B. Budgetary to GAAP Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

	<u>Change in Fund Balance</u>
(1) Encumbrances for equipment and vehicle purchases are reported as expenses in the year the orders are placed for budgetary purposes. For GAAP purposes, the equipment purchases are capitalized in the year received.	\$ 77,665
Principal debt payments are reported as budgetary expenditures in the year payment is made. For GAAP purposes debt payments are not expenses, but are applied toward the reduction of debt.	250,000
Accrued interest is not an expense for budgetary purpose. For GAAP purposes, it is a liability and an expense.	787
Depreciation expense is not recorded on the budgetary basis of accounting. For GAAP purposes, capitalized assets are depreciated on a straight line basis over their respective useful lives.	<u>(187,538)</u>
Net increase in fund balance – budget to GAAP	140,914
(2) Capital appropriations approved in the current year budget are reported as expenses in the year the funds are designated by voter election. For GAAP purposes, amounts are recorded when actual invoices are received.	125,000
(3) Loss on disposition of fixed asset is not recorded on the budgetary basis of accounting. For GAAP purposes, disposal loss is recorded as deduction of current year revenues.	(491)

See Independent Auditors' Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Supplementary Information
Year Ended December 31, 2011

(4) The amount reported as “fund balance” on the budgetary basis of accounting derives from the basis of accounting used in preparing the District’s budget. (See Note A for a description of the District’s budgetary accounting method.) This amount differs from the fund balance reported in the statement of revenues, expenditures and changes in fund balances because of the cumulative effect of transactions such as those described above.

1,470,197
\$ 1,735,620

C. Budget Cancellation

Regulations allow the District to cancel unexpended appropriations before year end by resolution. During the year ended December 31, 2011, the District canceled \$-0- of appropriations resulting in a reservation of fund balance as follows:

Adopted Budget	\$ 1,403,457
Expenditures	<u>1,224,373</u>
Favorable Variance	179,084
Canceled	<u>-</u>
Fund Balance Reserve	<u>\$ 179,084</u>

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of Improvement Authorizations - Capital Fund
Year Ended December 31, 2011

<u>Purpose</u>	<u>Authorized Appropriation</u>		<u>Balance</u>	<u>2011</u>	<u>2011</u>	<u>2011</u>	<u>Balance</u>
	<u>Date</u>	<u>Amount</u>	<u>December 31, 2010</u>	<u>Authorization</u>	<u>Expenditures</u>	<u>Transfers</u>	<u>December 31, 2011</u>
Kitchen & bath	12/13/06	\$ 130,000	\$ 57,356	\$ -	\$ (4,376)	\$ -	\$ 52,980
Pierce quantum pumper	12/15/07	700,000	54,666	-	(6,120)	-	48,546
Restored floors & walls	12/14/10	125,000	-	125,000	(18,600)	-	106,400
			<u>\$ 112,022</u>	<u>\$ 125,000</u>	<u>\$ (29,096)</u>	<u>\$ -</u>	<u>\$ 207,926</u>
					Cash disbursements	\$ (11,396)	
					Encumbrances payable	(17,700)	
						<u>\$ (29,096)</u>	

See Independent Auditors' Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of Improvement Authorizations - Capital Fund
Year Ended December 31, 2010

<u>Purpose</u>	<u>Authorized Appropriation</u>		<u>Balance</u>	<u>2010</u>	<u>2010</u>	<u>2010</u>	<u>Balance</u>
	<u>Date</u>	<u>Amount</u>	<u>December 31,</u> <u>2009</u>	<u>Authorization</u>	<u>Expenditures</u>	<u>Transfers</u>	<u>December 31,</u> <u>2010</u>
Kitchen & bath	12/13/06	\$ 130,000	\$ 228,848	\$ -	\$ (285,492)	\$ 114,000	\$ 57,356
Renovate bay floor	12/13/06	30,000	30,000	-	-	(30,000)	-
Opticom system	12/13/06	84,000	84,000	-	-	(84,000)	-
Pierce quantum pumper	12/15/07	700,000	54,666	-	-	-	54,666
			<u>\$ 397,514</u>	<u>\$ -</u>	<u>\$ (285,492)</u>	<u>\$ -</u>	<u>\$ 112,022</u>

See Independent Auditors' Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of Deferred Charges to Future Taxation - Capital Fund
Year Ended December 31, 2011

Purpose	Balance December 31, 2010	2011 Issue	Paid by 2011 Budget Appropriation	Balance December 31, 2011
1996 serial bonds - firehouse & fire trucks	\$ 100,000	\$ -	\$ 100,000	\$ -
2002 serial bonds - land improvements, chasis & generator	340,000	-	80,000	260,000
2010 serial bond - pierce quantum pumper	700,000	-	70,000	630,000
	<u>\$ 1,140,000</u>	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ 890,000</u>

This schedule indicates amount to be provided for retirement of debt.
See Independent Auditors' Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of Deferred Charges to Future Taxation - Capital Fund
Year Ended December 31, 2010

Purpose	Balance December 31, 2009	2010 Issue	Paid by 2010 Budget Appropriation	Balance December 31, 2010
1996 serial bonds - firehouse & fire trucks	\$ 190,000	\$ -	\$ 90,000	\$ 100,000
2002 serial bonds - land improvements, chasis & generator	410,000	-	70,000	340,000
Bond anticipation note - pierce quantum pumper	700,000	-	700,000	-
2010 serial bond - pierce quantum pumper	-	700,000	-	700,000
	<u>\$ 1,300,000</u>	<u>\$ 700,000</u>	<u>\$ 860,000</u>	<u>\$ 1,140,000</u>

This schedule indicates amount to be provided for retirement of debt.
See Independent Auditors' Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Statistical Information
Years Ended December 31, 2011 and 2010

Property Tax Levies

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

<u>Fiscal Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2001	\$ 594,445,055	\$ 711,375	\$ 0.120
2002	669,809,376	713,898	0.107
2003	713,251,800	788,215	0.111
2004	742,255,646	757,068	0.102
2005	801,378,516	747,723	0.094
2006	861,225,913	745,598	0.087
2007 (Revaluation)	2,130,996,941	809,546	0.038
2008	2,302,335,538	888,318	0.039
2009	2,398,269,561	974,614	0.041
2010	2,153,434,420	1,010,396	0.047
2011	2,202,940,369	1,032,482	0.047

Unreserved Fund Balance – General Fund

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
December 31, 2001	\$ 264,945	\$ 60,000
December 31, 2002	342,220	60,000
December 31, 2003	453,048	60,000
December 31, 2004	584,414	60,000
December 31, 2005	642,073	145,000
December 31, 2006	533,079	193,000
December 31, 2007	399,196	103,410
December 31, 2008	471,604	146,128
December 31, 2009	475,829	230,714
December 31, 2010	425,804	245,975
December 31, 2011	398,152	255,180

Unreserved Fund Balance – Capital Fund

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
December 31, 2001	\$ 507,090	\$ -
December 31, 2002	586,878	-
December 31, 2003	618,897	125,000
December 31, 2004	525,534	-
December 31, 2005	557,731	250,000
December 31, 2006	342,346	244,000
December 31, 2007	154,652	-
December 31, 2008	201,517	-
December 31, 2009	250,902	-
December 31, 2010	320,043	125,000
December 31, 2011	262,802	-

See Independent Auditors' Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Roster of Officials
Years Ended December 31, 2011 and 2010

<u>Board of Commissioners</u>	<u>Position</u>	<u>Amount of Surety Bond</u>
Richard W. Hogan	Chairperson	\$ 200,000 *
Charles T. Warshany	Vice Chairperson	200,000 *
Timothy D. Kirkland	Treasurer	200,000 *
Joseph F. Spevak	Clerk/Secretary	200,000 *
Patrick Flannery	Vice Secretary	200,000 *

Other Officials

Joseph Youssouf Board Attorney

* Blanket Bond Coverage

Surety Company

McNeil & Company, Inc.

**Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Comments and Recommendations
Years Ended December 31, 2011 and 2010**

Scope of Examination and Conditions of Records

Our examination covered the funds of the Board of Fire Commissioners, Township of Manalapan Fire District No. 2 handled by the Treasurer.

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, 2011 were reconciled with statements issued by the depositories.

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

Examination of Claims

Claims paid during the period under review were examined on a test basis to determine that they are submitted on Board vouchers, itemized, signed by the officials as to approval for payment, allocated to the proper accounts and charged to the proper fiscal period, and in agreement with bill list set forth in the approved minutes of the Board.

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

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

N.J.S. 40A:11-4 states, "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding the bid threshold of \$17,500 except by contract or agreement". Furthermore, contracting units now have a quotation threshold of \$2,625.

The members of the Township of Manalapan Fire District No. 2 have the responsibility of determining whether any contract or agreement might result in violation of the statute and, when necessary, the Board Attorney's opinion should be sought before a commitment is made.

The results of our examination indicated that no individual payment, contract or agreement was made "for the performance of any work or the furnishing or hiring of any materials or supplies", in excess of the statutory thresholds where there had been advertising for bids in accordance with provisions of N.J.S.A. 40A:11-21.

Miscellaneous

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

Acknowledgment

During the course of the audit, we received the cooperation of the officials of the Fire District and we appreciate the courtesies extended to us.

Recommendations

None

See Independent Auditors' Report.

**Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Comments and Recommendations
Years Ended December 31, 2011 and 2010**

Prior Year Comments

None

The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Respectfully submitted,



Ronald C. Petrics
Registered Municipal Accountant #474

For the Firm
WithumSmith & Brown, PC

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of Findings and Recommendations
Years Ended December 31, 2011 and 2010

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

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of Prior Year Findings and Recommendations
Years Ended December 31, 2011 and 2010

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