



MONMOUTH COUNTY, NEW JERSEY

Financial Statements

December 31, 2012 and 2011

With Independent Auditors' Report

Township of Manalapan Fire District No. 2
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December 31, 2012 and 2011

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**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, 2012.

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, 2012, net assets changed as follows:

| | 2012 GAAP Basis | | Total | Increase (Decrease) over 2011 | Percentage Increase (Decrease) |
|----------------------------------------------------------------------------------|----------------------------|----------------------------|---------------------|-------------------------------------|--------------------------------------|
| | General Fund Activities | Capital Fund Activities | | | |
| Assets | | | | | |
| Current and other assets | \$ 726,208 | \$ 558,960 | \$ 1,285,168 | \$ 77,578 | 6.42% |
| Capital assets | - | 2,436,836 | 2,436,836 | (113,466) | (4.45%) |
| Total assets | <u>\$ 726,208</u> | <u>\$ 2,995,796</u> | <u>\$ 3,722,004</u> | <u>\$ (35,888)</u> | (0.96%) |
| Total liabilities | \$ 171,013 | \$ 831,906 | \$ 1,002,919 | \$ (179,315) | (15.17%) |
| Net assets | | | | | |
| Invested in capital assets, net of accumulated depreciation and related debts | | | 1,604,930 | 77,236 | 5.06% |
| Restricted for capital acquisitions | | | 300,276 | 92,350 | 44.41% |
| Unrestricted | | | 813,879 | (26,159) | (3.11%) |
| Total net assets | | | <u>2,719,085</u> | <u>143,427</u> | 5.57% |
| Total liabilities and net assets | | | <u>\$ 3,722,004</u> | <u>\$ (35,888)</u> | (0.96%) |

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, 2012 and the amount and percentage of increases and decreases in relation to the prior year.

| | 2012 GAAP Basis | Percentage of Total Revenues | Increase (Decrease) over 2011 | Percentage Increase (Decrease) |
|-------------------------------------|-----------------------|------------------------------------|-------------------------------------|--------------------------------------|
| Revenues | | | | |
| District taxes | \$ 1,057,156 | 98.31% | \$ 24,674 | 2.39% |
| Supplemental fire services grant | 2,631 | 0.24% | - | 0.00% |
| Interest income | 6,214 | 0.58% | (1,328) | (17.61%) |
| Miscellaneous income | 11,569 | 1.08% | 11,363 | 5516.02% |
| Loss on disposition of fixed assets | (2,280) | (0.21%) | (1,789) | 364.36% |
| Total revenues | \$ 1,075,290 | 100.00% | \$ 32,920 | 3.16% |

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

| | 2012 GAAP Basis | Percentage of Total Expenditures | Increase (Decrease) over 2011 | Percentage Increase (Decrease) |
|-------------------------------------------------------|-----------------------|----------------------------------------|-------------------------------------|--------------------------------------|
| Expenditures | | | | |
| Salaries and wages | \$ 97,311 | 10.44% | \$ 7,388 | 8.22% |
| Fringe benefits | 59,078 | 6.34% | (4,018) | (6.37%) |
| Election | 872 | 0.09% | 42 | 5.06% |
| Dues | 1,612 | 0.17% | (372) | (18.75%) |
| Office expenses and supplies | 31,502 | 3.38% | (1,554) | (4.70%) |
| Professional services | 51,634 | 5.54% | (1,605) | (3.01%) |
| Travel expenses | 31,433 | 3.37% | 8,550 | 37.36% |
| Communication expenses | 28,543 | 3.06% | 2,867 | 11.17% |
| Purchase of assets not included as capital outlays | 12,712 | 1.36% | (2,598) | (16.97%) |
| Promotion | 850 | 0.09% | 631 | 288.13% |
| Insurance | 93,636 | 10.05% | (1,035) | (1.09%) |
| Maintenance and repairs | 65,931 | 7.08% | (4,670) | (6.61%) |
| Contractual | 60,642 | 6.51% | 2,616 | 4.51% |
| Other rental charges | 109,566 | 11.78% | 4,214 | 4.00% |
| Contingent expenses | 121 | 0.01% | 121 | 100.00% |
| Uniforms | 1,982 | 0.21% | (2,994) | (60.17%) |
| Training | 2,143 | 0.23% | 329 | 18.14% |
| Computer expenses | 9,042 | 0.97% | 3,458 | 61.93% |
| Communication equipment | 2,351 | 0.25% | 265 | 12.70% |
| First Aid | 12,000 | 1.29% | 2,000 | 20.00% |
| Interest on BAN and serial bonds | 36,107 | 3.87% | (12,488) | (25.70%) |
| Depreciation expense | 222,795 | 23.91% | 35,257 | 18.80% |
| Total expenditures | \$ 931,863 | 100.00% | \$ 36,404 | 4.07% |

Some expenditures are contractual in nature and because of market fluctuations, they can vary from year to year depending on the circumstances. Overall, the District experienced an increase in total expenditures of approximately \$36,000, or 4%, due mainly to an increase of depreciation.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board has not revised the General Fund budget. This budget amendment was a transfer within appropriations as a precaution to avoid over expending 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 \$25,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

For the year ended December 31, 2012, capital assets changed as follows:

| | 2011 GAAP Basis | Additions/ Transfer In | Disposals/ Transfer Out | 2012 GAAP Basis | Percentage Increase (Decrease) |
|-----------------------------------------|-----------------------|---------------------------|----------------------------|-----------------------|--------------------------------------|
| Capital assets | | | | | |
| Land | \$ 420,903 | \$ - | \$ - | \$ 420,903 | 0.00% |
| Leasehold Improvements | 891,056 | - | - | 891,056 | 0.00% |
| Equipment | 864,018 | 53,786 | 27,446 | 890,358 | 3.05% |
| Trucks and vehicles | 2,420,083 | 8,188 | - | 2,428,271 | 0.34% |
| Leasehold Improvements (in progress) | 18,600 | 32,650 | - | 51,250 | 175.54% |
| Equipment (in progress) | 3,876 | 20,861 | 3,876 | 20,861 | 438.21% |
| | <u>4,618,536</u> | <u>115,485</u> | <u>31,322</u> | <u>4,702,699</u> | 1.82% |
| Accumulated depreciation | <u>2,068,234</u> | <u>222,795</u> | <u>25,166</u> | <u>2,265,863</u> | 9.56% |
| Capital assets, net | <u>\$ 2,550,302</u> | <u>\$ (107,310)</u> | <u>\$ 6,156</u> | <u>\$ 2,436,836</u> | (4.45%) |

The District accounted for its purchase of various equipment, trailer and in progress capital projects.

Debts

At year end, the District had \$740,000 in capital serial bonds outstanding versus \$890,000 last year – a decrease of 17%.

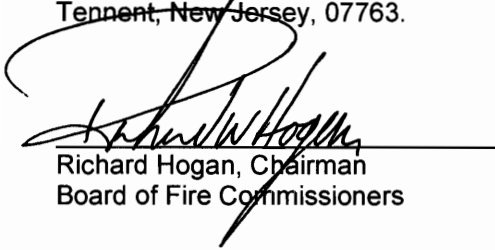
More detailed information about the District's long-term liabilities is presented in Note 10 to the financial statements.

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



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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Township of Manalapan Fire District No. 2, Monmouth County, New Jersey as of and for the years ended December 31, 2012 and 2011, and related notes to the financial statements, which collectively comprise Township of Manalapan Fire District No. 2's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Township of Manalapan Fire District No. 2's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and in compliance with the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Manalapan Fire District No. 2, Monmouth County, New Jersey as of December 31, 2012 and 2011, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Township of Manalapan Fire District No. 2's basic financial statements. The accompanying financial information listed as Supplementary Information and Other Schedules, as listed in the table of contents, is 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 2012 and 2011 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information and Other Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Statistical Information and Roster of Officials have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2013 on our consideration of the Township of Manalapan Fire District No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and



compliance and the results of that 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* in considering Township of Manalapan Fire District No. 2's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Ronald C. Petrics". The signature is written in a cursive style.

Ronald C. Petrics
Registered Municipal Accountant (# 474)

August 7, 2013



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

Board of Fire Commissioners
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, in compliance with the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Township of Manalapan Fire District No. 2, Monmouth County, New Jersey, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise Township of Manalapan Fire District No. 2's basic financial statements, and have issued our report thereon dated August 7, 2013.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered Township of Manalapan Fire District No. 2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Township of Manalapan Fire District No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of Township of Manalapan Fire District No. 2's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Ronald C. Petrics
Registered Municipal Accountant (# 474)

August 7, 2013

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Statement of Net Assets and Governmental Funds Balance Sheet
December 31, 2012

| | General Fund | Capital Fund | Total | Adjustments (Note 2) | Statement of Net Assets |
|-------------------------------------------------------------------------------|-------------------|---------------------|---------------------|-------------------------|----------------------------|
| Assets | | | | | |
| Cash and investments | \$ 721,344 | \$ 558,960 | \$ 1,280,304 | \$ - | \$ 1,280,304 |
| Prepaid expenses | 4,864 | - | 4,864 | - | 4,864 |
| Interfund receivable | - | 70,618 | 70,618 | (70,618) | - |
| Capital assets, net | - | - | - | 2,436,836 | 2,436,836 |
| Deferred charges to future taxation | - | 740,000 | 740,000 | (740,000) | - |
| Total assets | <u>\$ 726,208</u> | <u>\$ 1,369,578</u> | <u>\$ 2,095,786</u> | <u>\$ 1,626,218</u> | <u>\$ 3,722,004</u> |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 30,493 | \$ - | \$ 30,493 | \$ - | \$ 30,493 |
| Encumbrances payable | 7,273 | - | 7,273 | - | 7,273 |
| PERSPP | 9,132 | - | 9,132 | - | 9,132 |
| Reserve for LOSAP trust | 124,115 | - | 124,115 | - | 124,115 |
| Accrued interest | - | - | - | 6,300 | 6,300 |
| Capital lease payable - current | - | - | - | 41,810 | 41,810 |
| Serial bonds payable - current | - | 160,000 | 160,000 | - | 160,000 |
| Interfund payable | 70,618 | - | 70,618 | (70,618) | - |
| Improvement authorizations | - | 300,276 | 300,276 | (300,276) | - |
| Total current liabilities | 241,631 | 460,276 | 701,907 | (322,784) | 379,123 |
| Other liabilities: | | | | | |
| Capital lease payable - long-term | - | - | - | 43,796 | 43,796 |
| Serial bonds payable - long-term | - | 580,000 | 580,000 | - | 580,000 |
| Total liabilities | 241,631 | 1,040,276 | 1,281,907 | (322,784) | 1,002,919 |
| Fund Balances and Net Assets | | | | | |
| Fund balances: | | | | | |
| Committed: | | | | | |
| Capital improvements | - | 329,302 | 329,302 | (329,302) | - |
| Assigned: | | | | | |
| Appropriation reserves | 145,607 | - | 145,607 | (145,607) | - |
| Designated for subsequent years' expenditures | 261,881 | - | 261,881 | (261,881) | - |
| Unassigned: | | | | | |
| General fund | 77,089 | - | 77,089 | (77,089) | - |
| Total fund balances | <u>484,577</u> | <u>329,302</u> | <u>813,879</u> | <u>(813,879)</u> | <u>-</u> |
| Total liabilities and fund balances | <u>\$ 726,208</u> | <u>\$ 1,369,578</u> | <u>\$ 2,095,786</u> | | |
| Net Assets | | | | | |
| Invested in capital assets, net of accumulated depreciation and related debts | | | | 1,604,930 | 1,604,930 |
| Restricted for capital acquisitions | | | | 300,276 | 300,276 |
| Unrestricted | | | | 813,879 | 813,879 |
| Total net assets | | | | <u>\$ 2,719,085</u> | <u>\$ 2,719,085</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, 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 insurance | 6,931 | - | 6,931 | - | 6,931 |
| Interfund receivable | 197,859 | - | 197,859 | (197,859) | - |
| Capital assets, net | - | - | - | 2,550,302 | 2,550,302 |
| Deferred charges to future taxation | - | 890,000 | 890,000 | (890,000) | - |
| Total assets | <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 | <u>141,926</u> | <u>573,485</u> | <u>715,411</u> | <u>(358,783)</u> | <u>356,628</u> |
| Other liabilities: | | | | | |
| Capital lease payable - long-term | - | - | - | 85,606 | 85,606 |
| Serial bonds payable - long-term | - | 740,000 | 740,000 | - | 740,000 |
| Total liabilities | <u>141,926</u> | <u>1,313,485</u> | <u>1,455,411</u> | <u>(358,783)</u> | <u>1,182,234</u> |
| Fund Balances and Net Assets | | | | | |
| Fund balances: | | | | | |
| Committed: | | | | | |
| Capital improvements | - | 262,802 | 262,802 | (262,802) | - |
| Assigned: | | | | | |
| Appropriation reserves | 179,084 | - | 179,084 | (179,084) | - |
| Designated for subsequent years' expenditures | 255,180 | - | 255,180 | (255,180) | - |
| Unassigned: | | | | | |
| General fund | 142,972 | - | 142,972 | (142,972) | - |
| Total fund balances | <u>577,236</u> | <u>262,802</u> | <u>840,038</u> | <u>(840,038)</u> | <u>-</u> |
| Total liabilities and fund balances | <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 |
| Total net assets | | | | <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 Activities and Governmental Fund Revenues, Expenditures and
Changes in Fund Balances
Year Ended December 31, 2012

| | <u>General Fund</u> | <u>Capital Fund</u> | <u>Total</u> | <u>Adjustments (Note 3)</u> | <u>Statement of Activities</u> |
|------------------------------------------------|-------------------------|-------------------------|-------------------|---------------------------------|------------------------------------|
| Expenditures: | | | | | |
| Operating appropriations | \$ 978,729 | \$ - | \$ 978,729 | \$ (46,866) | \$ 931,863 |
| Capital appropriations | <u>188,000</u> | <u>-</u> | <u>188,000</u> | <u>(188,000)</u> | <u>-</u> |
| Total expenditures | 1,166,729 | - | 1,166,729 | (234,866) | 931,863 |
| Revenues and other financing sources: | | | | | |
| General revenues: | | | | | |
| District taxes | 1,057,156 | - | 1,057,156 | - | 1,057,156 |
| Supplemental fire services grant | 2,631 | - | 2,631 | - | 2,631 |
| Interest income | 2,714 | 3,500 | 6,214 | - | 6,214 |
| Miscellaneous income | 11,569 | - | 11,569 | - | 11,569 |
| Loss on disposition of fixed assets | <u>-</u> | <u>-</u> | <u>-</u> | <u>(2,280)</u> | <u>(2,280)</u> |
| Total general revenues | 1,074,070 | 3,500 | 1,077,570 | (2,280) | 1,075,290 |
| Transfers: | | | | | |
| Reserve for future capital outlays | <u>-</u> | <u>63,000</u> | <u>63,000</u> | <u>(63,000)</u> | <u>-</u> |
| Total transfers | <u>-</u> | <u>63,000</u> | <u>63,000</u> | <u>(63,000)</u> | <u>-</u> |
| Total general revenues and transfers | <u>1,074,070</u> | <u>66,500</u> | <u>1,140,570</u> | <u>(65,280)</u> | <u>1,075,290</u> |
| (Deficit) excess of revenues over expenditures | (92,659) | 66,500 | (26,159) | 26,159 | - |
| Change in net assets | - | - | - | 143,427 | 143,427 |
| Fund balances/net assets | | | | | |
| Beginning 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> |
| End of year | <u>\$ 484,577</u> | <u>\$ 329,302</u> | <u>\$ 813,879</u> | <u>\$ 1,905,206</u> | <u>\$ 2,719,085</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>-</u> | <u>-</u> |
| Total transfers | <u>-</u> | <u>(62,000)</u> | <u>(62,000)</u> | <u>(63,000)</u> | <u>-</u> |
| Total general revenues and transfers | <u>1,163,102</u> | <u>(57,241)</u> | <u>1,105,861</u> | <u>(188,491)</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
Notes to Financial Statements
December 31, 2012 and 2011

1. Summary of Significant Accounting Policies

The accounting policies of the Township of Manalapan Fire District No. 2 (District) conform to the accounting principles generally accepted in the United States of America and the standards applicable to special districts which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. For the years ended December 31, 2012 and 2011, 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. The financial resources are derived from the issuance of debt or by reservation of fund balance that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

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

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2012 and 2011

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.

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
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December 31, 2012 and 2011

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

Fund balance is reported in classifications depicting the relative strength of the constraint that controls how specific amounts can be spent. Classifications are as follow:

- 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 fund balance that has not been restricted, committed, or assigned. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned, it may be necessary to report a negative unassigned fund balance.

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.

Township of Manalapan Fire District No. 2
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Notes to Financial Statements
December 31, 2012 and 2011

- 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, 2012 and 2011 capital assets, net in the amount of \$2,436,836 and \$2,550,302, respectively, and invested in capital assets, net of accumulated depreciation and related debts in the amount of \$1,604,930 and \$1,527,694, respectively, have been included in the government-wide presentation.

B. Interfund Receivables and Payables

For the years ended December 31, 2012 and 2011 interfund balances in the amount of \$70,618 and \$197,859, 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, 2012 and 2011, fund balances in the amount of \$813,879 and \$840,038, respectively, have been eliminated. Unrestricted net assets in the amount of \$813,879 and \$840,038 respectively, and net assets restricted for capital acquisitions in the amount of \$300,276 and \$207,926, respectively, have been included in the government-wide presentation.

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, 2012 and 2011 improvement authorizations in the amount of \$300,276 and \$207,926, respectively, have been eliminated in arriving at the government-wide presentation.

E. Deferred Charges to Future Taxation

For the years ended December 31, 2012 and 2011 deferred charges to future taxation in the amount of \$740,000 and \$890,000, 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, 2012 and 2011 the lease payable in the amount of \$85,606 and \$125,520, 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, 2012 and 2011 the accrued interest in the amount of \$6,300 and \$7,088, 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, 2012, depreciation expense in the amount of \$222,795 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 \$77,821, uniforms have been decreased by \$30,238, computer expenses have been decreased by \$7,532 and communication equipment has been decreased by \$3,282. In addition, principal payments on serial bonds expense have been decreased by \$150,000. The interest on serial bonds is also decreased by \$788. The net effect on operating appropriations is a decrease of \$46,866.

Township of Manalapan Fire District No. 2
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Notes to Financial Statements
December 31, 2012 and 2011

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.

B. Capital Appropriations and Related Transfers

For the year ended December 31, 2012, capital appropriations were reduced by \$188,000 and related transfers were increased 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.

For the year ended December 31, 2011, capital appropriations were reduced by \$188,000 and related transfers were increased 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.

C. Loss on Disposition of Fixed Assets

For the years ended December 31, 2012 and 2011 loss on disposition of assets in the amount of \$491 and \$2,280, 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, 2012 and 2011 fund balance utilized - restricted in the amount of \$0 and \$125,000, 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.

Township of Manalapan Fire District No. 2
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Notes to Financial Statements
December 31, 2012 and 2011

Cash determined by the Board of Commissioners, consists of all bank accounts including certificates of deposits.

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

| | <u>2012</u> | <u>2011</u> |
|------------------------------------------|---------------------|---------------------|
| Brunswick Bank & Trust – Checking | \$ 1,293 | \$ 75,336 |
| Brunswick Bank & Trust – Payroll | 908 | 1,054 |
| Brunswick Bank & Trust – Savings-General | 105,481 | 116,891 |
| Brunswick Bank & Trust – Savings-Capital | 4,332 | 4,328 |
| Brunswick Bank & Trust – CDs | 1,168,251 | 1,003,011 |
| Petty Cash | 39 | 39 |
| Total Cash | <u>\$ 1,280,304</u> | <u>\$ 1,200,659</u> |

The carrying amount of the Board's cash at December 31, 2012 was \$1,280,304 and the bank balance was \$1,301,639. Of the balance, \$250,000 was covered by federal depository insurance and \$1,051,639 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. | 1,051,639 |
| Category 3 | Deposits which are not collateralized or insured | 39 |

The certificates of deposits are term from 30 days to 180 days, with interest rate ranging from 0.35% to 0.85% and mature in 2013.

Fair Value Measurements

Pursuant to the requirements of the accounting standard related to fair value measurements, the District has provided fair value disclosure information for relevant assets and liabilities in these financial statements. The following table summarizes assets which have been accounted for at fair value on a recurring basis as of December 31, 2012 and 2011, along with the basis for the determination of fair value:

| | <u>Basis for Valuation</u> Observable Measurement Criteria (Level 2) |
|--------------------------------|-------------------------------------------------------------------------------------------------|
| Certificates of Deposit - 2012 | \$ <u>1,168,251</u> |
| Certificates of Deposit - 2011 | \$ <u>1,003,011</u> |

For applicable assets and liabilities subject to this pronouncement, the District will value such assets and liabilities using quoted market prices in active markets for identical assets and liabilities to the extent possible (Level 1). To the extent that such market prices are not available, the District will next attempt to value such assets and liabilities in active and inactive markets and other corroborated

Township of Manalapan Fire District No. 2
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factors (Level 2). In the event that quoted market prices in active markets and other observable measurement criteria are not available, the District will develop measurement criteria based on the best information available (Level 3).

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 2012 and 2011, no such investments were held by the District.

5. Assessment and Collection of Money Authorized By Voters

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

Township of Manalapan Fire District No. 2
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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, 2012 and 2011, 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, 2012 and 2011, 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 Statutes set the contribution limits. The contributions for 2012 and 2011 were \$36,524 and \$34,276, 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.

Funding Policy

Plan members are required to contribute 6.64% 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 2012 and 2011 was \$9,078 and \$9,096, respectively.

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9. Capital Assets

The following schedule is a summarization of the capital assets by source for the year ended December 31, 2012:

| | Balance as of 12/31/11 | Additions | Transfer In (Out) | Deletions | Balance as of 12/31/12 |
|---------------------------------------|------------------------------|---------------------|----------------------|-------------------|------------------------------|
| Land | \$ 420,903 | \$ - | \$ - | \$ - | \$ 420,903 |
| Leasehold improvements | 891,056 | - | - | - | 891,056 |
| Equipment | 864,018 | 49,910 | 3,876 | (27,446) | 890,358 |
| Trucks & vehicles | 2,420,083 | 8,188 | - | - | 2,428,271 |
| Leasehold improvements in progress | 18,600 | 32,650 | - | - | 51,250 |
| Equipment - in progress | 3,876 | 20,861 | (3,876) | - | 20,861 |
| | 4,618,536 | 111,609 | - | (27,446) | 4,702,699 |
| Accumulated depreciation | 2,068,234 | 222,795 | - | (25,166) | 2,265,863 |
| Capital assets, net | <u>\$ 2,550,302</u> | <u>\$ (111,186)</u> | <u>\$ -</u> | <u>\$ (2,280)</u> | <u>\$ 2,436,836</u> |

Depreciation expense for the years ended December 31, 2012 and 2011 amounted to \$222,795 and \$187,538, respectively.

10. Long-Term Debts

Serial Bonds

The District's long-term debts consisted of the following at December 31, 2012:

| <u>Purpose</u> | <u>Date of Issue</u> | <u>Original Issue</u> | <u>Interest Rate</u> | <u>Balance As Of 12/31/12</u> |
|--------------------------------------------------|--------------------------|---------------------------|--------------------------|---------------------------------------|
| Land improvements, chassis and generator | 01/15/02 | \$ 850,000 | 4.60% | \$ 180,000 |
| Pierce quantum pumper | 04/01/10 | \$ 700,000 | 4.50% | 560,000 |
| Total serial bonds payable | | | | 740,000 |
| Less: current maturities of serial bonds payable | | | | 160,000 |
| Serial bonds payable, long-term | | | | <u>\$ 580,000</u> |

Future debt service requirements for serial bonds are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|-------------------|-------------------|
| 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 | 70,000 | 11,025 | 81,025 |
| 2018 and after | 210,000 | 14,175 | 224,175 |
| Total | <u>\$ 740,000</u> | <u>\$ 109,080</u> | <u>\$ 849,080</u> |

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2012 and 2011

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:

| Fiscal Year | <u>Principal</u> | <u>Interest</u> | <u>Rental Payment</u> |
|-------------|------------------|-----------------|-----------------------|
| 2013 | \$ 41,810 | \$ 4,066 | \$ 45,876 |
| 2014 | 43,796 | 2,080 | 45,876 |
| Total | <u>\$ 85,606</u> | <u>\$ 6,146</u> | <u>\$ 91,752</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 28, 2013. The amount of consideration for the years ended December 31, 2012 and 2011 was \$109,566 and \$105,352, respectively.

The District also has an agreement with the Englishtown Fire Department for fire protection services, with an expiration date of February 28, 2013. The amount of consideration for the years ended December 31, 2012 and 2011 was \$37,975 and \$36,167, 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, 2012 through the date of August 7, 2013, 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, 2012

| | 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 | \$ 1,057,156 | \$ - | \$ 1,057,156 | \$ - | \$ 1,057,156 | \$ 1,057,156 | \$ 1,057,156 | \$ - |
| Supplemental fire services grant | 2,631 | - | 2,631 | - | 2,631 | - | - | 2,631 |
| Interest income | 2,714 | 3,500 | 6,214 | - | 6,214 | - | - | 6,214 |
| Miscellaneous income | 11,569 | - | 11,569 | - | 11,569 | - | - | 11,569 |
| Loss on disposal of fixed assets | - | - | - | (2,280) ⁽³⁾ | (2,280) | - | - | - |
| Fund balance utilized - unrestricted | - | - | - | - | - | 255,180 | 255,180 | (255,180) |
| Total revenues | 1,074,070 | 3,500 | 1,077,570 | (2,280) | 1,075,290 | 1,312,336 | 1,312,336 | (234,766) |
| Transfers: | | | | | | | | |
| Reserve for future capital outlays | - | 63,000 | 63,000 | (63,000) | - | - | - | 63,000 |
| Total transfers | - | 63,000 | 63,000 | (63,000) | - | - | - | 63,000 |
| Total general revenues and transfers | 1,074,070 | 66,500 | 1,140,570 | (65,280) | 1,075,290 | 1,312,336 | 1,312,336 | (171,766) |
| Expenditures: | | | | | | | | |
| Operating appropriations: | | | | | | | | |
| Administration: | | | | | | | | |
| Election | 872 | - | 872 | - | 872 | 3,000 | 3,000 | 2,128 |
| Office expenses | 11,478 | - | 11,478 | - | 11,478 | 18,650 | 18,650 | 7,172 |
| Professional services | 44,409 | - | 44,409 | - | 44,409 | 50,000 | 50,000 | 5,591 |
| Travel expenses | 20,603 | - | 20,603 | - | 20,603 | 20,000 | 20,000 | (603) |
| Dues | 1,387 | - | 1,387 | - | 1,387 | 2,000 | 2,000 | 613 |
| Communication expenses | 28,543 | - | 28,543 | - | 28,543 | 18,000 | 18,000 | (10,543) |
| Purchase of assets not included as capital outlays | - | - | - | - | - | 7,000 | 7,000 | 7,000 |
| Contingent | - | - | - | - | - | 2,500 | 2,500 | 2,500 |
| Total administration | 107,292 | - | 107,292 | - | 107,292 | 121,150 | 121,150 | 13,858 |

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, 2012

| | 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 | 34,850 | - | 34,850 | - | 34,850 | 34,850 | 34,850 | - |
| Secretarial | 1,906 | - | 1,906 | - | 1,906 | 1,906 | 1,906 | - |
| Treasurer | 3,806 | - | 3,806 | - | 3,806 | 3,806 | 3,806 | - |
| Administrator | 32,102 | - | 32,102 | - | 32,102 | 32,102 | 32,102 | - |
| Maintenance manager | 12,432 | - | 12,432 | - | 12,432 | 13,986 | 13,986 | 1,554 |
| Training officer | 2,534 | - | 2,534 | - | 2,534 | 2,534 | 2,534 | - |
| IT specialist | 9,681 | - | 9,681 | - | 9,681 | 9,681 | 9,681 | - |
| Total salaries and wages | 97,311 | - | 97,311 | - | 97,311 | 98,865 | 98,865 | 1,554 |
| Fringe benefits: | | | | | | | | |
| LOSAP | 50,000 | - | 50,000 | - | 50,000 | 50,000 | 50,000 | - |
| PERSPP | 9,078 | - | 9,078 | - | 9,078 | 15,000 | 15,000 | 5,922 |
| Total fringe benefits | 59,078 | - | 59,078 | - | 59,078 | 65,000 | 65,000 | 5,922 |
| Contractual: | | | | | | | | |
| Fire hydrant service on rentals | 22,667 | - | 22,667 | - | 22,667 | 25,000 | 25,000 | 2,333 |
| Contracted services provided by volunteer fire companies | 37,975 | - | 37,975 | - | 37,975 | 37,975 | 37,975 | - |
| Total contractual | 60,642 | - | 60,642 | - | 60,642 | 62,975 | 62,975 | 2,333 |
| Other expenses: | | | | | | | | |
| Promotion | 850 | - | 850 | - | 850 | 10,000 | 10,000 | 9,150 |
| Training | 2,143 | - | 2,143 | - | 2,143 | 6,000 | 6,000 | 3,857 |
| Insurance | 93,636 | - | 93,636 | - | 93,636 | 125,000 | 125,000 | 31,364 |
| Membership dues | 225 | - | 225 | - | 225 | 3,500 | 3,500 | 3,275 |
| Uniforms | 32,220 | - | 32,220 | (30,238) (1) | 1,982 | 30,000 | 30,000 | (2,220) |
| Supplies | 20,024 | - | 20,024 | - | 20,024 | 25,000 | 25,000 | 4,976 |
| Travel expenses | 10,830 | - | 10,830 | - | 10,830 | 10,000 | 10,000 | (830) |
| Maintenance | 36,946 | - | 36,946 | - | 36,946 | 60,000 | 60,000 | 23,054 |
| Repairs | 28,985 | - | 28,985 | - | 28,985 | 40,000 | 40,000 | 11,015 |

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, 2012

| | 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 | 109,566 | - | 109,566 | - | 109,566 | 109,566 | 109,566 | - |
| Contingent expenses | 121 | - | 121 | - | 121 | 6,000 | 6,000 | 5,879 |
| Professional services | 7,225 | - | 7,225 | - | 7,225 | 25,000 | 25,000 | 17,775 |
| Computer expenses | 16,574 | - | 16,574 | (7,532) (1) | 9,042 | 25,000 | 25,000 | 8,426 |
| Communication equipment | 5,633 | - | 5,633 | (3,282) (1) | 2,351 | 21,508 | 21,508 | 15,875 |
| First aid | 12,000 | - | 12,000 | - | 12,000 | 12,000 | 12,000 | - |
| Purchase of assets not included as capital outlays | 90,533 | - | 90,533 | (77,821) (1) | 12,712 | 80,877 | 80,877 | (9,656) |
| Principal payments serial bonds | 150,000 | - | 150,000 | (150,000) (1) | - | 150,000 | 150,000 | - |
| Interest on serial bonds | 36,895 | - | 36,895 | (788) (1) | 36,107 | 36,895 | 36,895 | - |
| Depreciation expense | - | - | - | 222,795 (1) | 222,795 | - | - | - |
| Total other expenses | <u>654,406</u> | <u>-</u> | <u>654,406</u> | <u>(46,866)</u> | <u>607,540</u> | <u>776,346</u> | <u>776,346</u> | <u>121,940</u> |
| Total operations and maintenance | <u>871,437</u> | <u>-</u> | <u>871,437</u> | <u>(46,866)</u> | <u>824,571</u> | <u>1,003,186</u> | <u>1,003,186</u> | <u>131,749</u> |
| Total operating appropriations | <u>978,729</u> | <u>-</u> | <u>978,729</u> | <u>(46,866)</u> | <u>931,863</u> | <u>1,124,336</u> | <u>1,124,336</u> | <u>145,607</u> |
| Capital appropriations: | | | | | | | | |
| Reserve for future capital outlays | 63,000 | - | 63,000 | (63,000) | - | 63,000 | 63,000 | - |
| Capital Projects | 125,000 | - | 125,000 | (125,000) (2) | - | 125,000 | 125,000 | - |
| 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>1,166,729</u> | <u>-</u> | <u>1,166,729</u> | <u>(234,866)</u> | <u>931,863</u> | <u>1,312,336</u> | <u>1,312,336</u> | <u>145,607</u> |
| Deficit of revenues over expenditures | (92,659) | 66,500 | (26,159) | 26,159 | - | \$ - | \$ - | \$ (26,159) |
| Change in net assets | - | - | - | 143,427 | 143,427 | | | |
| Fund balances, beginning of the year | <u>577,236</u> | <u>262,802</u> | <u>840,038</u> | <u>1,735,620</u> (4) | <u>2,575,658</u> | | | |
| Fund balances, end of the year | <u>\$ 484,577</u> | <u>\$ 329,302</u> | <u>\$ 813,879</u> | <u>\$ 1,905,206</u> | <u>\$ 2,719,085</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, 2012

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. | \$ 118,873 |
| 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. | 150,000 |
| Accrued interest is not an expense for budgetary purpose. For GAAP purposes, it is a liability and an expense. | 788 |
| 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>(222,795)</u> |
| Net increase in fund balance – budget to GAAP | 46,866 |
| (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. | (2,280) |

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Supplementary Information
Year Ended December 31, 2012

(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.

1,735,620
\$ 1,905,206

C. Budget Cancellation

Regulations allow the District to cancel unexpended appropriations before year end by resolution. During the year ended December 31, 2012, the District canceled \$-0- of appropriations resulting in a reservation of fund balance as follows:

| | |
|----------------------|-------------------|
| Adopted Budget | \$ 1,312,336 |
| Expenditures | <u>1,166,729</u> |
| Favorable Variance | 145,607 |
| Canceled | <u>-</u> |
| Fund Balance Reserve | <u>\$ 145,607</u> |

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of Improvement Authorizations - Capital Fund
Year Ended December 31, 2012

| <u>Purpose</u> | <u>Authorized Appropriation</u> | | <u>Balance</u> | <u>2012</u> | <u>2012</u> | <u>Balance</u> |
|-------------------------------|---------------------------------|---------------|--------------------------|----------------------|----------------------|--------------------------|
| | <u>Date</u> | <u>Amount</u> | <u>December 31, 2011</u> | <u>Authorization</u> | <u>Expenditures</u> | <u>December 31, 2012</u> |
| Kitchen & bath | 12/13/06 | \$ 130,000 | \$ 52,980 | \$ - | \$ - | \$ 52,980 |
| Pierce quantum pumper | 12/15/07 | 700,000 | 48,546 | - | - | 48,546 |
| Restored floors & walls | 12/14/10 | 125,000 | 106,400 | - | (32,650) | 73,750 |
| Sewer & building improvements | 12/17/11 | 125,000 | - | 125,000 | - | 125,000 |
| | | | <u>\$ 207,926</u> | <u>\$ 125,000</u> | <u>\$ (32,650)</u> | <u>\$ 300,276</u> |
| | | | | | Cash disbursements | \$ (32,650) |
| | | | | | Encumbrances payable | - |
| | | | | | | <u>\$ (32,650)</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, 2011

| <u>Purpose</u> | <u>Authorized Appropriation</u> | | <u>Balance</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>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>\$ 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 Deferred Charges to Future Taxation - Capital Fund
Year Ended December 31, 2012

| Purpose | Balance December 31, 2011 | 2012 Issue | Paid by 2012 Budget Appropriation | Balance December 31, 2012 |
|-----------------------------------------------------------|---------------------------------|---------------|-----------------------------------------|---------------------------------|
| 2002 serial bonds - land improvements, chasis & generator | \$ 260,000 | \$ - | \$ 80,000 | \$ 180,000 |
| 2010 serial bond - pierce quantum pumper | 630,000 | - | 70,000 | 560,000 |
| | <u>\$ 890,000</u> | <u>\$ -</u> | <u>\$ 150,000</u> | <u>\$ 740,000</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 | December 31, 2010 | 2011 Issue | 2011 Budget Appropriation | 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> |

See Independent Auditors' Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Statistical Information
Years Ended December 31, 2012 and 2011

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 (9) years:

| <u>Fiscal Year</u> | <u>Assessed Valuations</u> | <u>Total Tax Levy</u> | <u>Property Tax Rates</u> |
|--------------------|----------------------------|-----------------------|---------------------------|
| 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 |
| 2012 | 2,248,545,700 | 1,057,156 | 0.047 |

General Fund – Fund Balance

| <u>Fiscal Year Ended</u> | <u>End of Fiscal Year</u> | <u>Utilization in Subsequent Budget</u> |
|--------------------------|---------------------------|-----------------------------------------|
| 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 |
| December 31, 2012 | 338,970 | 261,881 |

Capital Fund – Fund Balance

| <u>Fiscal Year Ended</u> | <u>End of Fiscal Year</u> | <u>Utilization in Subsequent Budget</u> |
|--------------------------|---------------------------|-----------------------------------------|
| 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 | - |
| December 31, 2012 | 329,302 | - |

See Independent Auditors' Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Roster of Officials
Years Ended December 31, 2012 and 2011

| <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 | Secretary | 200,000 * |
| Patrick Flannery | Assistant 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, 2012 and 2011**

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, 2012 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 one 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, 2012 and 2011**

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, 2012 and 2011

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.

Significant Deficiencies

None

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of Prior Year Findings and Recommendations
Years Ended December 31, 2012 and 2011

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.

Significant deficiencies

None