



MONMOUTH COUNTY, NEW JERSEY

**Financial Statements
December 31, 2015 and 2014
With Independent Auditors' Report**

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
December 31, 2015 and 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

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 years ended December 31, 2015 and 2014.

USING THIS ANNUAL REPORT

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

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

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

During the fiscal year ended December 31, 2015, the District implemented two new Governmental Accounting Standards Board ("GASB"), GASB Statement 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made*

MANALAPAN TOWNSHIP FIRE DISTRICT #2

Management's Discussion and Analysis (continued)

Subsequent to the Measurement Date - an amendment of GASB Statement No. 68, relative to its participation in the Public Employees Retirement System (PERS). Historically, the District has recorded its contributions to the plan as expenses in the year these contributions were required by the State of New Jersey Division of Pensions and Benefits. With the adoption of GASB 68, the District is required to record a liability in its financial statements for its proportionate share of the PERS plan liability and expenses. As a result of implementing these statements, the cumulative effect on the financial statements as reported as of December 31, 2014 was a net decrease in unrestricted net assets of \$242,261. Additionally, liabilities increased by \$235,424 which reflects the District's proportionate share of its net pension liability, deferred outflows of resources increased by \$7,403 and deferred inflows of resources increased by \$15,671. All employers who participate in the PERS are being required to record a proportionate share of the \$46,170,131,656 and \$38,849,838,953 total net pension liabilities at June 30, 2015 and 2014, respectively, in their financial statements.

In the Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Revenue, Expenses and Changes in Governmental Fund Balances and Net Position, we divide the District into two kinds of activities;

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

Reporting on the District's Most Significant Funds

Fund Financial Statements

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

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

MANALAPAN TOWNSHIP FIRE DISTRICT #2

Management's Discussion and Analysis (continued)

The District as a Board

Reporting on the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

For the years ended December 31, 2015 and 2014, net position changed as follows:

	2015 GAAP Basis		Total	Increase (Decrease) over 2014	Percentage Increase (Decrease)
	General Fund Activities	Capital Fund Activities			
Assets and Deferred Outflows of Resources:					
Current and other assets	\$ 824,123	\$ 566,804	\$ 1,390,927	\$ (81,070)	-5.51%
Capital assets	-	2,490,833	2,490,833	254,249	11.37%
Deferred outflows of resources	49,434	-	49,434	42,031	567.76%
Total assets and deferred outflows of resources	\$ 873,557	\$ 3,057,637	\$ 3,931,194	\$ 215,210	5.79%
Liabilities and Deferred Inflows of Resources:					
Total liabilities	\$ 488,996	\$ 353,937	\$ 842,933	\$ (21,096)	-2.44%
Deferred inflows of resources	6,117	-	6,117	(9,554)	-60.97%
Total liabilities and deferred inflows of resources	495,113	353,937	849,050	(30,650)	
Net position					
Net investment in capital assets			2,136,896	325,037	17.94%
Restricted for capital acquisitions			566,804	2,455	0.44%
Unrestricted			378,444	(81,632)	-17.74%
Total net position			<u>3,082,144</u>	<u>245,860</u>	8.67%
Total liabilities, deferred inflows of resources and net position			<u>\$ 3,931,194</u>	<u>\$ 215,210</u>	5.79%

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

	2014 GAAP Basis		Total (Restated)	Increase (Decrease) over 2013 (Restated)	Percentage Increase (Decrease) (Restated)
	General Fund Activities (Restated)	Capital Fund Activities (Restated)			
Assets and Deferred Outflows of Resources:					
Current and other assets	\$ 907,648	\$ 564,349	\$ 1,471,997	\$ 93,256	6.76%
Capital assets - net	-	2,236,584	2,236,584	(80,119)	-3.46%
Deferred outflows of resources	7,403	-	7,403	7,403	100.00%
Total assets and deferred outflows of resources	\$ 915,051	\$ 2,800,933	\$ 3,715,984	\$ 20,540	0.56%
Liabilities and Deferred Inflows of Resources:					
Total liabilities	\$ 439,304	\$ 424,725	\$ 864,029	\$ 49,870	6.13%
Deferred inflows of resources	15,671	-	15,671	15,671	100.00%
Total liabilities and deferred inflows of resources	454,975	424,725	879,700	65,541	
Net position					
Net investment in capital assets			1,811,859	124,464	7.38%
Restricted for capital acquisitions			564,349	2,517	0.45%
Unrestricted			460,076	(171,982)	-27.21%
Total net position			<u>2,836,284</u>	<u>(45,001)</u>	-1.56%
Total liabilities, deferred inflows of resources and net position			<u>\$ 3,715,984</u>	<u>\$ 20,540</u>	0.56%

In 2014, the District's net position decreased \$45,000 which resulted from implementing GASB 68.

MANALAPAN TOWNSHIP FIRE DISTRICT #2

Management's Discussion and Analysis (continued)

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 years ended December 31, 2015 and 2014 and the amount and percentage of increases and decreases in relation to the prior year.

	2015 GAAP Basis	Percentage of Total Revenues	Increase (Decrease) over 2014	Percentage Increase (Decrease)
Revenues				
District taxes	\$ 1,250,930	99.21%	\$ 90,888	7.83%
Supplemental fire services grant	2,631	0.21%	-	0.00%
Interest income	5,199	0.41%	796	18.08%
Miscellaneous income	4,264	0.34%	(528)	-11.02%
Loss on disposition of fixed assets	(2,093)	(0.17%)	7,329	44.56%
Total revenues	<u>\$ 1,260,931</u>	<u>100.00%</u>	<u>\$ 98,485</u>	<u>8.47%</u>

	2014 GAAP Basis (Restated)	Percentage of Total Revenues (Restated)	Increase (Decrease) over 2013 (Restated)	Percentage Increase (Decrease) (Restated)
Revenues				
District taxes	\$ 1,160,042	99.79%	\$ 83,279	7.73%
Supplemental fire services grant	2,631	0.23%	-	0.00%
Interest income	4,403	0.38%	(920)	-17.28%
Miscellaneous income	4,792	0.41%	4,447	1288.99%
Loss on disposition of fixed assets	(9,422)	(0.81%)	(3,654)	63.35%
Total revenues	<u>\$ 1,162,446</u>	<u>100.00%</u>	<u>\$ 83,152</u>	<u>7.70%</u>

For the years ended December 31, 2015 and 2014, the District experienced an increase in total revenue of approximately \$98,000 and \$83,000, respectively, or approximately 8%. The increase related to increase in district assessed valuation and property tax rate.

	2015 GAAP Basis	Percentage of Total Expenditures	Increase (Decrease) over 2014	Percentage Increase (Decrease)
Expenditures				
Salaries and wages	\$ 107,470	10.59%	\$ 3,406	3.27%
Fringe benefits	67,469	6.65%	3,377	5.27%
Election	3,819	0.38%	2,964	346.67%
Dues	1,490	0.15%	(266)	-15.15%
Office expenses and supplies	22,786	2.24%	(3,456)	-13.17%
Professional services	115,442	11.37%	51,565	80.73%
Travel expenses	20,252	2.00%	(2,819)	-12.22%
Communication expenses	19,942	1.96%	5,527	38.34%

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

	2015 GAAP Basis	Percentage of Total Expenditures	Increase (Decrease) over 2014	Percentage Increase (Decrease)
(continued)				
Purchase of assets not included as capital outlays	4,855	0.48%	(14,412)	-74.80%
Promotion	3,460	0.34%	772	28.72%
Insurance	113,735	11.20%	6,985	6.54%
Maintenance and repairs	108,836	10.72%	27,331	33.53%
Contractual	63,920	6.30%	2,266	3.68%
Other rental charges	123,240	12.13%	4,740	4.00%
Contingent expenses	-	0.00%	(8,254)	-100.00%
Uniforms	3,117	0.31%	(448)	-12.57%
Training	1,692	0.17%	(1,638)	-49.19%
Computer expenses	12,407	1.22%	(4,198)	-25.28%
Communication equipment	2,843	0.28%	2,576	964.79%
First Aid	-	0.00%	(12,000)	-100.00%
Interest on serial bonds	16,425	1.62%	(5,329)	-24.50%
Depreciation expense	191,847	18.90%	(17,397)	-8.31%
Pension expense, net	10,024	0.99%	8,593	600.49%
Total expenditures	<u>\$ 1,015,071</u>	<u>100.00%</u>	<u>\$ 49,885</u>	5.17%

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 \$50,000, or 5%, majority due to professional services for a new bond for capital project.

	2014 GAAP Basis (Restated)	Percentage of Total Expenditures (Restated)	Increase (Decrease) over 2013 (Restated)	Percentage Increase (Decrease) (Restated)
Expenditures				
Salaries and wages	\$ 104,064	10.78%	\$ 5,127	5.18%
Fringe benefits	64,092	6.64%	3,543	5.85%
Election	855	0.09%	(43)	-4.79%
Dues	1,756	0.18%	239	15.75%
Office expenses and supplies	26,242	2.72%	(869)	-3.21%
Professional services	63,877	6.62%	51	0.08%
Travel expenses	23,071	2.39%	1,184	5.41%
Communication expenses	14,415	1.49%	(10,178)	-41.39%
Purchase of assets not included				
as capital outlays	19,267	2.00%	4,275	28.52%
Promotion	2,688	0.28%	(1,499)	-35.80%
Insurance	106,750	11.06%	8,797	8.98%
Maintenance and repairs	81,505	8.44%	10,894	15.43%
Contractual	61,654	6.39%	408	0.67%
Other rental charges	118,500	12.28%	4,550	3.99%
Contingent expenses	8,254	0.86%	8,254	100.00%

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

	2014 GAAP Basis (Restated)	Percentage of Total Expenditures (Restated)	Increase (Decrease) over 2013 (Restated)	Percentage Increase (Decrease) (Restated)
(continued)				
Uniforms	3,565	0.36%	(977)	-21.51%
Training	3,330	0.35%	1,829	121.85%
Computer expenses	16,605	1.72%	7,806	88.71%
Communication equipment	267	0.03%	(639)	-70.53%
First Aid	12,000	1.24%	-	0.00%
Interest on serial bonds	21,754	2.25%	(7,289)	-25.10%
Depreciation expense	209,244	21.68%	11,197	5.65%
Pension expense, net	1,431	0.15%	1,431	100.00%
Total expenditures	<u>\$ 965,186</u>	<u>100.00%</u>	<u>\$ 48,091</u>	5.24%

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 \$48,000, or 5%, due to a general increase in operating expenses.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

The budget relied on the expectation of a moderate increase in the district tax base. The district tax base and property tax rate increased, which produced a revenue increase of approximately \$91,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

For the years ended December 31, 2015 and 2014, capital assets changed as follows:

	2014 GAAP Basis	Additions/ Transfer In	Disposals/ Transfer Out	2015 GAAP Basis	Percentage Increase (Decrease)
Capital assets					
Land	\$ 420,903	\$ -	\$ -	\$ 420,903	0.00%
Leasehold Improvements	891,056	-	-	891,056	0.00%
Equipment	930,775	58,786	(18,825)	970,736	4.29%
Trucks and vehicles	2,398,270	63,669	(82,575)	2,379,364	-0.79%
Construction in progress	144,475	357,981	(30,932)	471,524	226.37%
	<u>4,785,479</u>	<u>480,436</u>	<u>(132,332)</u>	<u>5,133,583</u>	7.27%
Accumulated depreciation	<u>2,548,895</u>	<u>191,847</u>	<u>(97,992)</u>	<u>2,642,750</u>	3.68%
Capital assets, net	<u>\$ 2,236,584</u>	<u>\$ 288,589</u>	<u>\$ (34,340)</u>	<u>\$ 2,490,833</u>	11.37%

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

	2013 GAAP Basis	Additions/ Transfer In	Disposals/ Transfer Out	2014 GAAP Basis	Percentage Increase (Decrease)
Capital assets					
Land	\$ 420,903	\$ -	\$ -	\$ 420,903	0.00%
Leasehold Improvements	891,056	-	-	891,056	0.00%
Equipment	902,608	86,813	(58,646)	930,775	3.12%
Trucks and vehicles	2,398,270	-	-	2,398,270	0.00%
Construction in progress	92,741	55,552	(3,818)	144,475	55.78%
	<u>4,705,578</u>	<u>142,365</u>	<u>(62,464)</u>	<u>4,785,479</u>	1.70%
Accumulated depreciation	<u>2,388,875</u>	<u>209,244</u>	<u>(49,224)</u>	<u>2,548,895</u>	6.70%
Capital assets, net	<u>\$ 2,316,703</u>	<u>\$ (66,879)</u>	<u>\$ (13,240)</u>	<u>\$ 2,236,584</u>	-3.46%

The District accounted for its various purchases and disposals of capital equipment, vehicles and in progress of capital projects.

Debts

At year end, the District had \$350,000 in capital serial bonds outstanding versus \$420,000 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. Some of the significant capital asset items approved in this year's budget will be deferred to subsequent years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our District's citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Clerk's office at P.O. Box 54, Tennent, New Jersey, 07763.

INDEPENDENT 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, 2015 and 2014, 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 as applied to governmental units and the standards applicable to special districts which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion 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 auditors' 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 opinion.

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, 2015 and 2014, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 8 to the financial statements, during the fiscal year ended December 31, 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment to GASB Statement No. 68, which represents a change in accounting principle. As of December 31, 2013, the Authority's net position was restated to reflect the impact of the change in accounting principle. Our opinion is not modified with respect to this matter.

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 A7, Schedule of the District's Proportionated Share of the Net Pension Liability – PERS, and Schedule of the District's Contributions – PERS on page 27 to 28 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 Other 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 2015 and 2014 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other 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 July 14, 2016 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.

Withum Smith + Brown, PC

July 14, 2016

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

Independent Auditors' Report

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, 2015 and 2014, 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 July 14, 2016.

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 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.

Withum Smith + Brown, PC

July 14, 2016

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2015

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Position</u>
Assets and Deferred Outflow of Resources					
Assets					
Cash and investments	\$ 819,133	\$ 566,804	\$ 1,385,937	\$ -	\$ 1,385,937
Prepaid expenses	4,990	-	4,990	-	4,990
Interfund receivable	-	349,864	349,864	(349,864)	-
Capital assets, net	-	-	-	2,490,833	2,490,833
Deferred charges to future taxation	-	1,200,000	1,200,000	(1,200,000)	-
Total assets	<u>824,123</u>	<u>2,116,668</u>	<u>2,940,791</u>	<u>940,969</u>	<u>3,881,760</u>
Deferred Outflows of Resources					
Pension related	-	-	-	49,434	49,434
Total assets and deferred outflows of resources	<u>\$ 824,123</u>	<u>\$ 2,116,668</u>	<u>\$ 2,940,791</u>	<u>\$ 990,403</u>	<u>\$ 3,931,194</u>
Liabilities, Deferred Inflows of Resources, Fund Balances and Net Position					
Current liabilities					
Accounts payable	\$ 16,848	\$ -	\$ 16,848	\$ -	\$ 16,848
Encumbrances payable	1,763	-	1,763	-	1,763
PERS	11,376	-	11,376	-	11,376
Reserve for LOSAP trust	161,976	-	161,976	-	161,976
Accrued interest	-	-	-	3,937	3,937
Serial bonds payable - current	-	70,000	70,000	-	70,000
Interfund payable	349,864	-	349,864	(349,864)	-
Improvement authorizations	-	1,287,501	1,287,501	(1,287,501)	-
Total current liabilities	<u>541,827</u>	<u>1,357,501</u>	<u>1,899,328</u>	<u>(1,633,428)</u>	<u>265,900</u>
Other liabilities					
Serial bonds payable - long-term	-	280,000	280,000	-	280,000
Net pension liability	-	-	-	297,033	297,033
Total other liabilities	<u>-</u>	<u>280,000</u>	<u>280,000</u>	<u>297,033</u>	<u>577,033</u>
Total liabilities	<u>541,827</u>	<u>1,637,501</u>	<u>2,179,328</u>	<u>(1,336,395)</u>	<u>842,933</u>
Deferred Inflows of Resources					
Pension related	-	-	-	6,117	6,117
Fund balances					
Committed					
Capital improvements	-	479,167	479,167	(479,167)	-
Assigned					
Appropriation reserves	82,024	-	82,024	(82,024)	-
Designated for subsequent years' expenditures	139,840	-	139,840	(139,840)	-
Unassigned					
General fund	60,432	-	60,432	(60,432)	-
Total fund balances	<u>282,296</u>	<u>479,167</u>	<u>761,463</u>	<u>(761,463)</u>	<u>-</u>
Total liabilities, fund balances and deferred inflows of resources	<u>\$ 824,123</u>	<u>\$ 2,116,668</u>	<u>\$ 2,940,791</u>		
Net Position					
Net investment in capital assets				2,136,896	2,136,896
Restricted for capital acquisitions				566,804	566,804
Unrestricted				378,444	378,444
Total net position				<u>3,082,144</u>	<u>3,082,144</u>
Total liabilities, deferred inflows of resources and net position				<u>\$ 990,403</u>	<u>\$ 3,931,194</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 Position and Governmental Funds Balance Sheet
December 31, 2014

	General Fund	Capital Fund	Total	Adjustments (Note 2) (Restated)	Statement of Net Position (Restated)
Assets and Deferred Outflows of Resources					
Assets					
Cash and investments	\$ 903,000	\$ 564,349	\$ 1,467,349	\$ -	\$ 1,467,349
Prepaid expenses	4,648	-	4,648	-	4,648
Interfund receivable	-	353,135	353,135	(353,135)	-
Capital assets, net	-	-	-	2,236,584	2,236,584
Deferred charges to future taxation	-	420,000	420,000	(420,000)	-
Total assets	907,648	1,337,484	2,245,132	1,463,449	3,708,581
Deferred Outflows of Resources					
Pension related	-	-	-	7,403	7,403
Total assets and deferred outflows of resources	<u>\$ 907,648</u>	<u>\$ 1,337,484</u>	<u>\$ 2,245,132</u>	<u>\$ 1,470,852</u>	<u>\$ 3,715,984</u>
Liabilities, Deferred Inflows of Resources, Fund Balances and Net Position					
Current liabilities					
Accounts payable	\$ 11,779	\$ -	\$ 11,779	\$ -	\$ 11,779
Encumbrances payable	32,120	-	32,120	-	32,120
PERS	10,366	-	10,366	-	10,366
Reserve for LOSAP trust	149,615	-	149,615	-	149,615
Accrued interest	-	-	-	4,725	4,725
Serial bonds payable - current	-	70,000	70,000	-	70,000
Interfund payable	353,135	-	353,135	(353,135)	-
Improvement authorizations	-	723,992	723,992	(723,992)	-
Total current liabilities	557,015	793,992	1,351,007	(1,072,402)	278,605
Other liabilities					
Serial bonds payable - long-term	-	350,000	350,000	-	350,000
Net pension liability	-	-	-	235,424	235,424
Total other liabilities	-	350,000	350,000	235,424	585,424
Total liabilities	557,015	1,143,992	1,701,007	(836,978)	864,029
Deferred Inflows of Resources					
Pension related	-	-	-	15,671	15,671
Fund balances					
Committed					
Capital improvements	-	193,492	193,492	(193,492)	-
Assigned					
Appropriation reserves	125,421	-	125,421	(125,421)	-
Designated for subsequent years' expenditures	160,000	-	160,000	(160,000)	-
Unassigned:					
General fund	65,212	-	65,212	(65,212)	-
Total fund balances	350,633	193,492	544,125	(544,125)	-
Total liabilities, fund balances and deferred inflows of resources	<u>\$ 907,648</u>	<u>\$ 1,337,484</u>	<u>\$ 2,245,132</u>		
Net Position					
Net investment in capital assets				1,811,859	1,811,859
Restricted for capital acquisitions				564,349	564,349
Unrestricted				460,076	460,076
Total net position				<u>2,836,284</u>	<u>2,836,284</u>
Total liabilities, deferred inflows of resources and net position				<u>\$ 1,470,852</u>	<u>\$ 3,715,984</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 Revenues, Expenses and Changes in Governmental
Fund Balances and Net Position
Year Ended December 31, 2015

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures:					
Operating appropriations	\$ 975,686	\$ -	\$ 975,686	\$ 39,385	\$ 1,015,071
Capital appropriations	353,220	-	353,220	(353,220)	-
Total expenditures	<u>1,328,906</u>	<u>-</u>	<u>1,328,906</u>	<u>(313,835)</u>	<u>1,015,071</u>
Revenues and other financing sources:					
General revenues:					
District taxes	1,250,930	-	1,250,930	-	1,250,930
Supplemental fire services grant	2,631	-	2,631	-	2,631
Interest income	2,744	2,455	5,199	-	5,199
Miscellaneous income	4,264	-	4,264	-	4,264
Loss on disposition of fixed assets	-	-	-	(2,093)	(2,093)
Total general revenues	<u>1,260,569</u>	<u>2,455</u>	<u>1,263,024</u>	<u>(2,093)</u>	<u>1,260,931</u>
Transfers:					
Reserve for future capital outlays	-	283,220	283,220	(283,220)	-
Total general revenues and transfers	<u>1,260,569</u>	<u>285,675</u>	<u>1,546,244</u>	<u>(285,313)</u>	<u>1,260,931</u>
(Deficit) excess of revenues over expenditures	(68,337)	285,675	217,338	(217,338)	-
Changes in net position	-	-	-	245,860	245,860
Fund balances / net position:					
Beginning of year	<u>350,633</u>	<u>193,492</u>	<u>544,125</u>	<u>2,292,159</u>	<u>2,836,284</u>
End of year	<u>\$ 282,296</u>	<u>\$ 479,167</u>	<u>\$ 761,463</u>	<u>\$ 2,320,681</u>	<u>\$ 3,082,144</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 Revenues, Expenses and Changes in Governmental
Fund Balances and Net Position
Year Ended December 31, 2014

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3) (Restated)</u>	<u>Statement of Activities (Restated)</u>
Expenditures:					
Operating appropriations	\$ 1,036,610	\$ -	\$ 1,036,610	\$ (71,424)	\$ 965,186
Capital appropriations	713,000	-	713,000	(713,000)	-
Total expenditures	<u>1,749,610</u>	<u>-</u>	<u>1,749,610</u>	<u>(784,424)</u>	<u>965,186</u>
Revenues and other financing sources:					
General revenues:					
District taxes	1,160,042	-	1,160,042	-	1,160,042
Supplemental fire services grant	2,631	-	2,631	-	2,631
Interest income	1,986	2,417	4,403	-	4,403
Miscellaneous income	4,792	-	4,792	-	4,792
Loss on disposition of fixed assets	-	-	-	(9,422)	(9,422)
Fund balance utilized - restricted	<u>517,000</u>	<u>-</u>	<u>517,000</u>	<u>(517,000)</u>	<u>-</u>
Total general revenues	<u>1,686,451</u>	<u>2,417</u>	<u>1,688,868</u>	<u>(526,422)</u>	<u>1,162,446</u>
Transfers:					
Reserve for future capital outlays	-	188,000	188,000	(188,000)	-
Capital fund balance utilized	<u>-</u>	<u>(517,000)</u>	<u>(517,000)</u>	<u>517,000</u>	<u>-</u>
Total transfers	<u>-</u>	<u>(329,000)</u>	<u>(329,000)</u>	<u>329,000</u>	<u>-</u>
Total general revenues and transfers	<u>1,686,451</u>	<u>(326,583)</u>	<u>1,359,868</u>	<u>(197,422)</u>	<u>1,162,446</u>
Deficit of revenues over expenditures	(63,159)	(326,583)	(389,742)	389,742	-
Changes in net position	-	-	-	197,260	197,260
Fund balances / net position:					
Beginning of year, as previously issued	413,792	520,075	933,867	1,947,418	2,881,285
Restatement - change in accounting principle (Note 8)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(242,261)</u>	<u>(242,261)</u>
Beginning of year, as restated	<u>413,792</u>	<u>520,075</u>	<u>933,867</u>	<u>1,705,157</u>	<u>2,639,024</u>
End of year	<u>\$ 350,633</u>	<u>\$ 193,492</u>	<u>\$ 544,125</u>	<u>\$ 2,292,159</u>	<u>\$ 2,836,284</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, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

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, 2015 and 2014, the financial statements of the Township of Manalapan Fire District No. 2 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

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

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The 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.

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 and firefighting equipment. The financial resources are derived

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2015 and 2014

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 position.

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

Basis of Accounting

Fund Basis of Accounting

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

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

Government-wide Basis of Accounting

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

Budgets/Budgetary Control

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

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

Encumbrances

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Specific encumbrances in

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2015 and 2014

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.

Fixed Assets

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

In the government-wide basis of accounting, fixed assets are accounted for as capital assets. The District generally capitalizes assets with a cost of \$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 Revenues, Expenses and Changes in Governmental Fund Balances and Net Position with accumulated depreciation reflected in the Statement of Net Position 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.

Impairment of Capital Assets

In accordance with the provisions of the pronouncement related to accounting and financial reporting for impairment of capital assets, the District assesses capital assets for impairment whenever events or changes in circumstances indicate that the service utility of the capital asset have both significantly and unexpectedly declined. For the years ended December 31, 2015 and 2014 management has determined that there was no impairment of capital assets.

Interfund Transactions and Balances

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the 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 Revenues, Expenses and Changes in Governmental Fund Balances and Net Position.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those 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 Position and Governmental Funds Balance Sheet.

Long-Term Obligations

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

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2015 and 2014

Deferred Outflows/Inflows of Resources

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

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

New Accounting Pronouncements and Restatement

The District adopted GASB No. 68, *Accounting and Financial Reporting for Pensions, An Amendment of GASB No. 27* during 2015 as required by the pronouncement. The pronouncement requires the District to record its proportional share of the State of New Jersey's net pension liability on the face of its financial statements as of December 31, 2015 and 2014 and to record related pension expense in accordance with the pronouncement. In order to correctly reflect pension expense in accordance with GASB No. 68, the beginning net position of the District was adjusted to reflect the beginning balance of the net pension liability. Since the measurement date of the net pension liability is June 30, 2014 (as described in Note 8), the restatement adjustments to net position relate to the beginning net pension liability measured as of June 30, 2014.

As a result of these adjustments, the opening net position was reduced by \$242,261, which comprised a pension liability addition of \$235,424. Additionally, the 2014 year was restated to add an additional pension expense of \$1,431, along with pension deferred outflows of \$7,403, and pension deferred inflows of \$15,671.

Net Position

Fund Basis

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

Township of Manalapan Fire District No. 2
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Notes to Financial Statements
December 31, 2015 and 2014

- 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

Net position is displayed in three components:

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

Reclassifications

Certain accounts in prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. Such reclassifications had no effect on the fund balances and net position.

2. ADJUSTMENTS TO ARRIVE AT NET POSITION

Capital Assets – Net and Net Investment in Capital Assets

For the years ended December 31, 2015 and 2014 capital assets, net in the amounts of \$2,490,833 and \$2,236,584, respectively, and net investment in capital assets in the amounts of \$2,136,896 and \$1,811,859, respectively, have been included in the government-wide presentation.

Interfund Receivables and Payables

For the years ended December 31, 2015 and 2014 interfund balances in the amounts of \$349,864 and \$353,135, respectively have been eliminated in arriving at the government-wide presentation.

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

For the years ended December 31, 2015 and 2014, fund balances in the amounts of \$761,463 and \$544,125, respectively, have been eliminated. Unrestricted net position in the amounts of \$378,444 and \$460,076 respectively and net position restricted for capital acquisitions in the amounts of \$566,804 and \$564,349, respectively, have been included in the government-wide presentation.

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, 2015 and 2014 improvement authorizations in the amounts of \$1,287,501 and \$723,992, respectively, have been eliminated in arriving at the government-wide presentation.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2015 and 2014

Deferred Charges to Future Taxation

For the years ended December 31, 2015 and 2014 deferred charges to future taxation in the amounts of \$1,200,000 and \$420,000, respectively, have been eliminated in arriving at the government-wide presentation.

Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources related to pensions are future expense and revenue for GAAP purposes and not for budgetary purposes. Therefore, for the years ended December 31, 2015 and 2014 the deferred outflows of resources in the amounts of \$49,434 and \$7,403, respectively, and deferred inflows of resources in the amounts of \$6,117 and \$15,671, respectively, have been included in government-wide presentation.

Net Pension Liability

For GAAP purposes net pension liability is an accrual expense for future payments. It is not due in the current period for budgetary purposes. Therefore, for the years ended December 31, 2015 and 2014 the net pension liability in the amounts of \$297,033 and \$235,424, respectively, have been included in the government-wide presentation.

Accrued Interest

Accrued interest is not an expense for budgetary purposes. For GAAP purposes it is a liability and an expense; therefore, for the years ended December 31, 2015 and 2014 the accrued interest in the amounts of \$3,937 and \$4,725, respectively, have been included in the government-wide presentation.

3. ADJUSTMENTS TO ARRIVE AT THE CHANGE IN NET POSITION

Operating Appropriations

For the year ended December 31, 2015, depreciation expense in the amount of \$191,847 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 \$60,584, uniforms have been decreased by \$25,793, communication equipment has been decreased by \$5,321, and pension expense, net has been increased by \$10,024. In addition, principal payments on serial bonds expense have been decreased by \$70,000. The interest on serial bonds is also decreased by \$788. The net effect on operating appropriations is an increase of \$39,385.

For the year ended December 31, 2014, depreciation expense in the amount of \$209,244 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 \$93,677, uniforms have been decreased by \$20,939, computer expenses have been decreased by \$3,568, communication equipment has been decreased by \$3,128, and pension expense, net has been increased by \$1,431. In addition, principal payments on serial bonds expense have been decreased by \$160,000. The interest on serial bonds is also decreased by \$787. The net effect on operating appropriations is a decrease of \$71,424.

Capital Appropriations and Related Transfers

For the year ended December 31, 2015, capital appropriations were reduced by \$353,220 and related transfers were decreased by \$283,220 on the government-wide presentation to eliminate the general fund expenditure and capital fund revenue related to the creation of improvement authorizations.

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For the year ended December 31, 2014, capital appropriations were reduced by \$713,000 and related transfers were decreased by \$188,000 on the government-wide presentation to eliminate the general fund expenditure and capital fund revenue related to the creation of improvement authorizations.

Loss on Disposition of Fixed Assets

For the years ended December 31, 2015 and 2014 loss on disposition of assets in the amount of \$2,093 and \$9,422, respectively, have been included in the government-wide presentation to capture the disposal of assets that were not fully depreciated.

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

	<u>2015</u>	<u>2014</u>
Brunswick Bank & Trust – Checking	\$ 40,983	\$ 2,570
Brunswick Bank & Trust – Payroll	4,494	3,129
Brunswick Bank & Trust – Savings-General	22,473	33,778
Brunswick Bank & Trust – Savings-Capital	4,545	4,541
Brunswick Bank & Trust – CDs Capital	562,259	559,808
Brunswick Bank & Trust – CDs General	751,144	863,484
Petty Cash	39	39
Total Cash	<u>\$ 1,385,937</u>	<u>\$ 1,467,349</u>

The carrying amount of the Board’s cash at December 31, 2015 was \$1,385,937 and the bank balance was \$1,559,996. Of the balance, \$250,000 was covered by federal depository insurance and \$1,309,996

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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.	1,309,996
Category 3	Deposits which are not collateralized or insured	39

The certificates of deposits have terms ranging from 30 days to 182 days, with an interest rate of 0.25% and mature in 2016.

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, 2015 and 2014, along with the basis for the determination of fair value:

	Basis for Valuation Observable Measurement Criteria (Level 2)
Certificates of Deposit - 2015	<u>\$ 1,313,403</u>
Certificates of Deposit - 2014	<u>\$ 1,423,292</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 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.

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- (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 2015 and 2014, 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.

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.

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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, 2015 and 2014, the fire tax rate on Fire District No. 2 was \$0.051 and \$0.050, respectively, per \$100 of assessed valuation.

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

The District also participates in the Supplemental Fire Services Program. For the years ended December 31, 2015 and 2014, 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 2015 and 2014 were \$43,394 and \$39,648 respectively.

8. PENSION PLAN

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

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

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 and 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service.

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

Employer and Employee Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. The local employer's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. During the years ended December 31, 2015 and 2014, the PERS received employer and employee contributions as follows:

	2015		2014
Employer contributions	\$ 11,376	\$	10,366
Employee contributions	\$ 6,651	\$	6,252
Salary basis for contributions	\$ 95,160	\$	91,276
Percent of base wages	6.92% - 7.06%		6.78% - 6.92%

GASB 68 - Restatement

The District adopted GASB No. 68, Accounting and Financial Reporting for Pensions, An Amendment of GASB No. 27 during the 2015 fiscal year as required by the pronouncement. The pronouncement requires the District to record its proportional share of the State of New Jersey's net pension liability on the face of its financial statements and to record related pension expense in accordance with the pronouncement. In order to correctly reflect pension expense in accordance with GASB No. 68, the beginning net position of the District was adjusted to reflect the beginning balance of the net pension liability. Since the measurement date of the net pension liability is June 30, 2014, the restatement adjustments to net position relate to the beginning net pension liability measured as of June 30, 2013. Also, in accordance with GASB No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, the District restated its Net Position for pension contributions made after the beginning net pension liability measurement date of June 30, 2013 (deferred outflows).

Summary of Significant Accounting Policies

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

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

The net pension liability was measured as of June 30, 2015 and 2014, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and 2014. In accordance with GASB 68, the measurement date shall not be earlier than 1 year from the statement of net position date; therefore, the District has elected to utilize June 30, 2015 and 2014 as the measurement dates, respectively.

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The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2015 and 2014. At December 31, the District's proportionate share and net pension liability was as follows:

	2015	2014
PERS net pension liability	\$ 46,170,131,656	\$ 38,849,838,953
District net pension liability	\$ 297,033	\$ 235,424
District's proportion	0.0006433445%	0.0006059845%

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

	2015	2014
Proportionate share of allocable plan pension expense	\$ 19,485	\$ 12,104
Pension expense related to specific liabilities of individual employers	(11,376)	(10,366)
Net amortization of deferral amounts from changes in proportion	1,912	(302)
Other changes	<u>3</u>	<u>(5)</u>
Total employer pension expense excluding that attributable to employer-paid member contributions	<u>\$ 10,024</u>	<u>\$ 1,431</u>

At December 31, 2015 and 2014, the District reported deferred outflows of resources and deferred inflows of resources related to PERS as follows:

	2015	
	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	\$ 31,899	\$ -
Net difference between projected and actual earnings on pension plan investments	7,086	4,776
Changes in proportion and differences between the District contributions and proportionate share of contributions	10,449	1,341
District contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
	<u>\$ 49,434</u>	<u>\$ 6,117</u>

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	2014	
	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	\$ 7,403	\$ -
Net difference between projected and actual earnings on pension plan investments	-	14,030
Changes in proportion and differences between the District contributions and proportionate share of contributions	-	1,641
District contributions subsequent to the measurement date	-	-
	<u>\$ 7,403</u>	<u>\$ 15,671</u>

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

Years Ended December 31:	PERS Deferred Outflow/Inflows, Net	District Share
2016	\$ 861,409,913	\$ 8,097
2017	861,409,913	8,097
2018	861,409,913	8,097
2019	1,293,067,797	12,156
2020	<u>730,809,712</u>	<u>6,870</u>
	<u>\$ 4,608,107,248</u>	<u>\$ 43,317</u>

Actuarial Assumptions

The total pension liability in the June 30, 2015 and 2014 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2015	2014
Inflation rate	3.04%	3.01%
Salary increases from 2012 - 2021	2.15-4.40%	2.15-4.40%
	based on age	based on age
Thereafter	3.15-5.40%	3.15-5.40%
	based on age	based on age
Investment rate of return	7.90%	7.90%

For the years ended June 30, 2015 and 2014, mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of

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return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S treasuries	1.75%	1.64%
Investment grade credits	10.00%	1.79%
Mortgages	2.10%	1.62%
High yield bonds	2.00%	4.03%
Inflation-indexed bonds	1.50%	3.25%
Broad US equities	27.25%	8.52%
Developed foreign equities	12.00%	6.88%
Emerging market equities	6.40%	10.00%
Private equity	9.25%	12.41%
Hedge funds / absolute return	12.00%	4.72%
Real estate (property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the District's proportionate share of the net pension liability measured as of December 31, 2015 and 2014, calculated using the discount rate as disclosed above as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

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	2015		
	At 1 % decrease (3.90%)	At current discount rate (4.90%)	At 1% increase (5.90%)
PERS as a whole	\$ 55,702,235,475	\$ 46,170,131,656	\$ 38,191,749,890
District's proportionate share of the net pension liability	\$ 358,357	\$ 297,033	\$ 245,705

	2014		
	At 1 % decrease (4.39%)	At current discount rate (5.39%)	At 1% increase (6.39%)
PERS as a whole	\$ 47,326,289,075	\$ 38,849,838,953	\$ 31,735,758,503
District's proportionate share of the net pension liability	\$ 286,790	\$ 235,424	\$ 192,314

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

9. CAPITAL ASSETS

The following schedule is a summarization of the capital assets by source for the years ended December 31, 2015 and 2014:

Description	December 31, 2014	Additions/ Transfers In	Deletions / Transfers Out	December 31, 2015
Capital assets not being depreciated:				
Land	\$ 379,221	\$ -	\$ -	\$ 379,221
Construction in progress	144,475	357,981	(30,932)	471,524
Total	523,696	357,981	(30,932)	850,745
Capital assets being depreciated:				
Land improvements	41,682	-	-	41,682
Leasehold improvements	891,056	-	-	891,056
Equipment	930,775	58,786	(18,825)	970,736
Trucks & vehicles	2,398,270	63,669	(82,575)	2,379,364
Total	4,261,783	122,455	(101,400)	4,282,838
Less accumulated depreciation:				
Land improvements	11,983	1,042	-	13,025
Leasehold improvements	263,458	37,182	-	300,640
Equipment	565,722	68,768	(17,476)	617,014
Trucks & vehicles	1,707,732	84,855	(80,516)	1,712,071
Total	2,548,895	191,847	(97,992)	2,642,750
Total capital assets being depreciated, net	1,712,888	(69,392)	(3,408)	1,640,088
Net capital assets	\$ 2,236,584	\$ 288,589	\$ (34,340)	\$ 2,490,833

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Description	December 31, 2013	Additions/ Transfers In	Deletions / Transfers Out	December 31, 2014
Capital assets not being depreciated:				
Land	\$ 379,221	\$ -	\$ -	\$ 379,221
Construction in progress	92,741	55,552	(3,818)	144,475
Total	471,962	55,552	(3,818)	523,696
Capital assets being depreciated:				
Land improvements	41,682	-	-	41,682
Leasehold improvements	891,056	-	-	891,056
Equipment	902,608	86,813	(58,646)	930,775
Trucks & vehicles	2,398,270	-	-	2,398,270
Total	4,233,616	86,813	(58,646)	4,261,783
Less accumulated depreciation:				
Land improvements	10,941	1,042	-	11,983
Leasehold improvements	226,276	37,182	-	263,458
Equipment	550,628	64,318	(49,224)	565,722
Trucks & vehicles	1,601,030	106,702	-	1,707,732
Total	2,388,875	209,244	(49,224)	2,548,895
Total capital assets being depreciated, net	1,844,741	(122,431)	(9,422)	1,712,888
Net capital assets	\$ 2,316,703	\$ (66,879)	\$ (13,240)	\$ 2,236,584

Depreciation expense for the years ended December 31, 2015 and 2014 amounted to \$191,847 and \$209,244, respectively.

10. LONG-TERM DEBT

Serial Bonds

The District's long-term debts consisted of the following at December 31, 2015:

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance As Of 12/31/15</u>
Pierce quantum pumper	04/01/10	\$ 700,000	4.50%	\$ 350,000
Less: current maturities of serial bonds payable				70,000
Serial bonds payable, long-term				<u>\$ 280,000</u>

Future debt service requirements for serial bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 70,000	\$ 14,175	\$ 84,175
2017	70,000	11,025	81,025
2018	70,000	7,875	77,875
2019	70,000	4,725	74,725

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2020	<u>70,000</u>	<u>1,575</u>	<u>71,575</u>
Total	<u>\$ 350,000</u>	<u>\$ 39,375</u>	<u>\$ 389,375</u>

11. AGREEMENTS

The District has an agreement with Manalapan Township Volunteer Fire Company No. 1 for fire protection services and the use of the premises, expiring February 29, 2016. The amount of consideration for the years ended December 31, 2015 and 2014 was \$123,240 and \$118,500, respectively.

The District also has an agreement with the Englishtown Fire Department for fire protection services, with an expiration date of February 29, 2016. The amount of consideration for the years ended December 31, 2015 and 2014 was \$39,875 and \$37,975, respectively.

Both service agreements were renewed for an additional year.

12. RISK ASSESSMENT

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

13. SUBSEQUENT EVENTS

The District has evaluated subsequent events occurring after December 31, 2015 through the date of July 14, 2016 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 that require recognition or disclosure in the financial statements.



MONMOUTH COUNTY, NEW JERSEY

SUPPLEMENTARY INFORMATION

Township of Manalapan Fire District No. 2
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Schedule of the District's Proportionate Share of the Net Pension Liability –
Public Employees' Retirement System (PERS)
Year Ended December 31, 2015

	2015	2014
District's proportionate share of the net pension liability	0.0006433445%	0.0006059845%
District's proportionate share of the net pension	\$ 297,033	\$ 235,424
District's covered-employee payroll	\$ 95,160	\$ 91,276
Liability as a percentage of it's covered-employee payroll	312%	258%
Plan fiduciary net position as a percentage of the total pension liability	38.21%	42.74%

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

Notes to Required Supplementary Information

Benefit Changes

None

Changes of Assumptions

The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015.

See Independent Auditors' Report.

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Schedule of the District's Contributions – Public Employees'
Retirement System (PERS)
Year Ended December 31, 2015

	2015	2014
Contractually required contribution	\$ 11,376	\$ 10,366
Contributions in relation to the contractually required contribution	<u>(11,376)</u>	<u>(10,366)</u>
Contribution deficiency (excess)	\$ -	\$ -
Percent of base wages	6.92% - 7.06%	6.78% - 6.92%
District's covered-employee payroll	\$ 95,160	\$ 91,276
Contributions as a percentage of the District's covered-employee payroll	11.95%	11.36%

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

See Independent Auditors' Report.

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, 2015

	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	\$ 1,250,930	\$ -	\$ 1,250,930	\$ -	\$ 1,250,930	\$ 1,250,930	\$ 1,250,930	\$ -
Supplemental fire services grant	2,631	-	2,631	-	2,631	-	-	2,631
Interest income	2,744	2,455	5,199	-	5,199	-	-	5,199
Miscellaneous income	4,264	-	4,264	-	4,264	-	-	4,264
Loss on disposal of fixed assets	-	-	-	(2,093) (2)	(2,093)	-	-	-
Fund balance utilized - unrestricted	-	-	-	-	-	160,000	160,000	(160,000)
Total revenues	1,260,569	2,455	1,263,024	(2,093)	1,260,931	1,410,930	1,410,930	(147,906)
Transfers:								
Reserve for future capital outlays	-	283,220	283,220	(283,220)	-	-	-	283,220
Total general revenues and transfers	1,260,569	285,675	1,546,244	(285,313)	1,260,931	1,410,930	1,410,930	135,314
Expenditures:								
Operating appropriations:								
Administration:								
Election	3,819	-	3,819	-	3,819	3,000	3,900	81
Office expenses	12,879	-	12,879	-	12,879	23,000	23,000	10,121
Professional services	105,137	-	105,137	-	105,137	50,000	130,000	24,863
Travel expenses	13,723	-	13,723	-	13,723	20,000	20,000	6,277
Dues	1,275	-	1,275	-	1,275	2,000	2,000	725
Communication expenses	19,942	-	19,942	-	19,942	31,500	24,400	4,458
Purchase of assets not included as capital outlays	-	-	-	-	-	7,000	-	-
Contingent	-	-	-	-	-	2,500	2,500	2,500
Total administration	156,775	-	156,775	-	156,775	139,000	205,800	49,025

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, 2015

	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	40,320	-	40,320	-	40,320	40,320	40,320	-
Secretarial	2,205	-	2,205	-	2,205	2,205	2,205	-
Treasurer	4,410	-	4,410	-	4,410	4,410	4,410	-
Administrator	37,177	-	37,177	-	37,177	37,177	37,177	-
Maintenance manager	9,000	-	9,000	-	9,000	10,800	10,800	1,800
Training officer	3,150	-	3,150	-	3,150	3,150	3,150	-
IT specialist	11,208	-	11,208	-	11,208	11,208	11,208	-
Total salaries and wages	107,470	-	107,470	-	107,470	109,270	109,270	1,800
Fringe benefits:								
LOSAP	55,755	-	55,755	-	55,755	55,755	55,755	-
PERS	11,714	-	11,714	-	11,714	17,745	17,745	6,031
Total fringe benefits	67,469	-	67,469	-	67,469	73,500	73,500	6,031
Contractual:								
Fire hydrant service on rentals	24,045	-	24,045	-	24,045	29,000	24,100	55
Contracted services provided by volunteer fire companies	39,875	-	39,875	-	39,875	39,875	39,875	-
Total contractual	63,920	-	63,920	-	63,920	68,875	63,975	55
Other expenses:								
Promotion	3,460	-	3,460	-	3,460	10,000	4,000	540
Training	1,692	-	1,692	-	1,692	6,000	2,000	308
Insurance	113,735	-	113,735	-	113,735	134,000	114,100	365
Membership dues	215	-	215	-	215	3,500	400	185
Uniforms	28,910	-	28,910	(25,793) ¶(1)	3,117	30,000	29,100	190
Supplies	9,907	-	9,907	-	9,907	25,000	12,000	2,093
Travel expenses	6,529	-	6,529	-	6,529	10,000	6,700	171
Maintenance	54,307	-	54,307	-	54,307	65,000	56,000	1,693
Repairs	54,529	-	54,529	-	54,529	40,000	55,000	471

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, 2015

	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	123,240	-	123,240	-	123,240	123,240	123,240	-
Contingent expenses	-	-	-	-	-	6,000	6,000	6,000
Professional services	10,305	-	10,305	-	10,305	25,000	12,000	1,695
Computer expenses	12,407	-	12,407	-	12,407	27,000	19,000	6,593
Communication equipment	8,164	-	8,164	(5,321) ⁽¹⁾	2,843	10,000	10,000	1,836
Purchase of assets not included as capital outlays	65,439	-	65,439	(60,584) ⁽¹⁾	4,855	65,000	68,300	2,861
Principal payments serial bonds	70,000	-	70,000	(70,000) ⁽¹⁾	-	70,000	70,000	-
Interest on serial bonds	17,213	-	17,213	(788) ⁽¹⁾	16,425	17,325	17,325	112
Pension expense, net	-	-	-	10,024 ⁽¹⁾	10,024	-	-	-
Depreciation expense	-	-	-	191,847 ⁽¹⁾	191,847	-	-	-
Total other expenses	<u>580,052</u>	<u>-</u>	<u>580,052</u>	<u>39,385</u>	<u>619,437</u>	<u>667,065</u>	<u>605,165</u>	<u>25,113</u>
Total operations and maintenance	<u>818,911</u>	<u>-</u>	<u>818,911</u>	<u>39,385</u>	<u>858,296</u>	<u>918,710</u>	<u>851,910</u>	<u>32,999</u>
Total operating appropriations	<u>975,686</u>	<u>-</u>	<u>975,686</u>	<u>39,385</u>	<u>1,015,071</u>	<u>1,057,710</u>	<u>1,057,710</u>	<u>82,024</u>
Capital appropriations:								
Reserve for future capital outlays	283,220	-	283,220	(283,220)	-	283,220	283,220	-
Capital Projects	70,000	-	70,000	(70,000) ⁽²⁾	-	70,000	70,000	-
Total capital appropriations	<u>353,220</u>	<u>-</u>	<u>353,220</u>	<u>(353,220)</u>	<u>-</u>	<u>353,220</u>	<u>353,220</u>	<u>-</u>
Total expenditures	<u>1,328,906</u> ⁽¹⁾	<u>-</u>	<u>1,328,906</u>	<u>(313,835)</u>	<u>1,015,071</u>	<u>1,410,930</u>	<u>1,410,930</u>	<u>82,024</u>
(Deficit) excess of revenues over expenditures	(68,337)	285,675	217,338	(217,338)	-	\$ -	\$ -	\$ 217,338
Changes in net position	-	-	-	245,860	245,860			
Fund balances/net position - end of the year - restated	350,633	193,492	544,125	2,292,159 ⁽³⁾	2,836,284			
Fund balances, end of the year	<u>\$ 282,296</u>	<u>\$ 479,167</u>	<u>\$ 761,463</u>	<u>\$ 2,320,681</u>	<u>\$ 3,082,144</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, 2015

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 in the United States of America 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 place for budgetary purposes. For GAAP purposes, the equipment and vehicle purchases are capitalized in the year received.	\$ 91,698
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.	70,000
Accrued interest is not an expense for budgetary purpose. For GAAP purposes, it is a liability and an expense.	788
For GAAP purpose, pension expense – net or the change in the net pension liability and the changes in deferred outflows/inflows of resources related to pension are charged to expense. For budgetary purpose, pension expense – net is expenditure when made.	(10,024)

See Independent Auditors’ Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Supplementary Information
Year Ended December 31, 2015

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>(191,847)</u>
Net increase in fund balance – budget to GAAP	(39,385)
(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.	70,000
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.	(2,093)
(3) 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.	<u>2,292,159</u>
	<u>\$ 2,320,681</u>

C. BUDGET CANCELLATION

Regulations allow the District to cancel unexpended appropriations before year end by resolution. During the year ended December 31, 2015, the District canceled no appropriations resulting in a reservation of fund balance as follows:

Adopted Budget	\$ 1,410,930
Expenditures	<u>1,328,906</u>
Favorable Variance	82,024
Canceled	<u>-</u>
Fund Balance Reserve	<u>\$ 82,024</u>

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of Improvement Authorizations – Capital Fund
Year Ended December 31, 2015

<u>Purpose</u>	<u>Authorized Appropriation</u>		<u>Balance</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>Balance</u>
	<u>Date</u>	<u>Amount</u>	<u>December 31, 2014</u>	<u>Authorization</u>	<u>Expenditures</u>	<u>Transfers</u>	<u>December 31, 2015</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	33,497	-	-	(33,497)	-
Sewer & building improvements	12/17/11	125,000	125,000	-	-	(125,000)	-
Utility building	12/16/13	425,000	400,380	-	(350,546)	262,667	312,501
Opticom system	12/16/13	55,000	55,000	70,000	-	-	125,000
Radio equipment	12/16/13	45,000	8,589	-	(5,945)	(2,644)	-
Rescue truck	02/23/15	850,000	-	850,000	-	-	850,000
			<u>\$ 723,992</u>	<u>\$ 920,000</u>	<u>\$ (356,491)</u>	<u>\$ -</u>	<u>\$ 1,287,501</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, 2014

<u>Purpose</u>	<u>Authorized Appropriation</u>		<u>Balance</u>	<u>2014</u>	<u>2014</u>	<u>Balance</u>
	<u>Date</u>	<u>Amount</u>	<u>December 31, 2013</u>	<u>Authorization</u>	<u>Expenditures</u>	<u>December 31, 2014</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	33,497	-	-	33,497
Sewer & building improvements	12/17/11	125,000	125,000	-	-	125,000
Utility building	12/16/13	425,000	-	425,000	(24,620)	400,380
Opticom system	12/16/13	55,000	-	55,000	-	55,000
Radio equipment	12/16/13	45,000	-	45,000	(36,411)	8,589
			<u>\$ 260,023</u>	<u>\$ 525,000</u>	<u>\$ (61,031)</u>	<u>\$ 723,992</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, 2015

Purpose	Balance December 31, 2014	2015 Authorizations	Paid by 2015 Budget Appropriation	Balance December 31, 2015
Unfunded:				
Rescue Truck	\$ -	\$ 850,000	\$ -	\$ 850,000
Funded:				
2010 serial bond - pierce quantum pumper	420,000	-	70,000	350,000
	<u>\$ 420,000</u>	<u>\$ 850,000</u>	<u>\$ 70,000</u>	<u>\$ 1,200,000</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, 2014

Purpose	Balance December 31, 2013	2014 Issue	Paid by 2014 Budget Appropriation	Balance December 31, 2014
Funded:				
2002 serial bonds - land improvements, chasis & generator	\$ 90,000	\$ -	\$ 90,000	\$ -
2010 serial bond - pierce quantum pumper	490,000	-	70,000	420,000
	<u>\$ 580,000</u>	<u>\$ -</u>	<u>\$ 160,000</u>	<u>\$ 420,000</u>

See Independent Auditors' Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Statistical Information
Years Ended December 31, 2015 and 2014

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 ten (10) years:

<u>Fiscal Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
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
2013	2,288,997,500	1,076,763	0.047
2014	2,330,387,076	1,160,042	0.050
2015	2,473,218,050	1,250,930	0.051

General Fund – Fund Balance before Current Year Appropriation Reserves

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
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
December 31, 2013	228,223	197,989
December 31, 2014	225,212	160,000
December 31, 2015	200,272	139,840

Capital Fund – Fund Balance

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
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	-
December 31, 2013	520,075	517,000
December 31, 2014	193,492	-
December 31, 2015	479,167	-

See Independent Auditors' Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Roster of Officials
Years Ended December 31, 2015 and 2014

<u>Board of Commissioners</u>	<u>Position</u>	<u>Amount of Surety Bond</u>	<u>Term Expiration</u>
Richard W. Hogan	Chairperson	\$ 50,000*	2017
Patrick Flannery	Vice Chairperson	50,000*	2019
Timothy D. Kirkland	Treasurer	50,000*	2018
Joseph F. Spevak	Secretary	50,000*	2018
Richard Primiano	Assistant Secretary	50,000*	2019

Other Officials

Joseph Youssouf Board Attorney

* Blanket Bond Coverage

Surety Company

First Responder Joint Insurance Fund

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Comments and Recommendations
Years Ended December 31, 2015 and 2014

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, 2015 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 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 in the United States of America.

Acknowledgment

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

See Independent Auditors' Report.

**Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Comments and Recommendations
Years Ended December 31, 2015 and 2014**

Recommendations

None

Prior Year Comments

None

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

Respectfully submitted,



July 14, 2016

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of Findings and Recommendations
Years Ended December 31, 2015 and 2014

Schedule of Financial Statement Findings

This section identifies the material weaknesses and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulations, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Material Weaknesses

None

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of Prior Year Findings and Recommendations
Years Ended December 31, 2015 and 2014

Schedule of Prior Year Financial Statement Findings

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

Material Weaknesses

None