



**MONMOUTH COUNTY, NEW JERSEY**  
**Financial Statements**  
**December 31, 2017 and 2016**  
**With Independent Auditors' Report**

**Township of Manalapan Fire District No. 2**  
**Monmouth County, New Jersey**  
**December 31, 2017 and 2016**

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**BOARD OF FIRE COMMISSIONERS  
MANALAPAN TOWNSHIP FIRE DISTRICT #2  
P.O. BOX 54  
TENNENT, NEW JERSEY 077763**

**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, 2017 and 2016.

**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.

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.

# **MANALAPAN TOWNSHIP FIRE DISTRICT #2**

## **Management's Discussion and Analysis (continued)**

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- 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.

### **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.

## MANALAPAN TOWNSHIP FIRE DISTRICT #2

### Management's Discussion and Analysis (continued)

#### THE DISTRICT AS A WHOLE

For the years ended December 31, 2017 and 2016, net position changed as follows:

	2017 GAAP Basis		Total	Increase (Decrease) over 2016	Percentage Increase (Decrease)
	General Fund Activities	Capital Fund Activities			
Assets and Deferred Outflows of Resources:					
Current and other assets	\$ 888,914	\$ 1,086,443	\$ 1,975,357	\$ 878,744	80.13%
Capital assets	-	3,352,295	3,352,295	305,293	10.02%
Deferred outflows of resources	88,896	-	88,896	(39,628)	-30.83%
Total assets and deferred outflows of resources	\$ 977,810	\$ 4,438,738	\$ 5,416,548	\$ 1,144,409	26.79%
Liabilities and Deferred Inflows of Resources:					
Total liabilities	\$ 584,058	\$ 1,087,730	\$ 1,671,788	\$ 750,218	81.41%
Deferred inflows of resources	68,809	-	68,809	67,770	6522.62%
Total liabilities and deferred inflows of resources	652,867	1,087,730	1,740,597	817,988	
Net position					
Net investment in capital assets			2,264,565	(499,287)	-18.06%
Restricted for capital acquisitions			1,086,443	517,257	90.88%
Unrestricted			324,943	308,451	1870.31%
Total net position			3,675,951	326,421	9.75%
Total liabilities, deferred inflows of resources and net position			\$ 5,416,548	\$ 1,144,409	26.79%

	2016 GAAP Basis		Total	Increase (Decrease) over 2015	Percentage Increase (Decrease)
	General Fund Activities	Capital Fund Activities			
Assets and Deferred Outflows of Resources:					
Current and other assets	\$ 527,427	\$ 569,186	\$ 1,096,613	\$ (294,314)	-21.16%
Capital assets - net	-	3,047,002	3,047,002	556,169	22.33%
Deferred outflows of resources	128,524	-	128,524	79,090	159.99%
Total assets and deferred outflows of resources	\$ 655,951	\$ 3,616,188	\$ 4,272,139	\$ 340,945	8.67%
Liabilities and Deferred Inflows of Resources:					
Total liabilities	\$ 638,420	\$ 283,150	\$ 921,570	\$ 78,637	9.33%
Deferred inflows of resources	1,039	-	1,039	(5,078)	-83.01%
Total liabilities and deferred inflows of resources	639,459	283,150	922,609	73,559	
Net position					
Net investment in capital assets			2,763,852	626,956	29.34%
Restricted for capital acquisitions			569,186	2,382	0.42%
Unrestricted			16,492	(361,952)	-95.64%
Total net position			3,349,530	267,386	8.68%
Total liabilities, deferred inflows of resources and net position			\$ 4,272,139	\$ 340,945	8.67%

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

## MANALAPAN TOWNSHIP FIRE DISTRICT #2

### Management's Discussion and Analysis (continued)

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#### 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, 2017 and 2016 and the amount and percentage of increases and decreases in relation to the prior year.

	2017 GAAP Basis	Percentage of Total Revenues	Increase (Decrease) over 2016	Percentage Increase (Decrease)
Revenues				
District taxes	\$ 1,381,289	99.45%	\$ 121,049	9.61%
Supplemental fire services grant	2,631	0.19%	2,631	100.00%
Interest income	4,965	0.36%	625	14.40%
Miscellaneous income	14,892	1.07%	11,398	326.22%
Loss on disposition of fixed assets	(14,815)	(1.07%)	(14,815)	100.00%
Total revenues	<u>\$ 1,388,962</u>	<u>100.00%</u>	<u>\$ 120,888</u>	<u>9.53%</u>

	2016 GAAP Basis	Percentage of Total Revenues	Increase (Decrease) over 2015	Percentage Increase (Decrease)
Revenues				
District taxes	\$ 1,260,240	99.38%	\$ 9,310	0.74%
Supplemental fire services grant	-	0.00%	(2,631)	-100.00%
Interest income	4,340	0.34%	(859)	-16.52%
Miscellaneous income	3,494	0.28%	(770)	-18.06%
Loss on disposition of fixed assets	-	0.00%	2,093	-100.00%
Total revenues	<u>\$ 1,268,074</u>	<u>100.00%</u>	<u>\$ 7,143</u>	<u>0.57%</u>

For the years ended December 31, 2017 and 2016, the District experienced an increase in total revenue of approximately \$121,000 and \$7,000, respectively. The increase mainly from increase in district taxes.

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

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	2017 GAAP Basis	Percentage of Total Expenditures	Increase (Decrease) over 2016	Percentage Increase (Decrease)
Expenditures				
Salaries and wages	\$ 116,968	11.01%	\$ 7,897	7.24%
Fringe benefits	63,577	5.98%	(7,390)	-10.41%
Election	841	0.08%	(62)	-6.87%
Dues	1,712	0.16%	222	14.90%
Office expenses and supplies	19,106	1.80%	361	1.93%
Professional services	94,076	8.85%	6,344	7.23%
Travel expenses	23,121	2.18%	(3,145)	-11.97%
Communication expenses	20,693	1.95%	(6,887)	-24.97%
Purchase of assets not included as capital outlays	11,691	1.10%	4,494	62.44%
Promotion	9,318	0.88%	6,573	239.45%
Insurance	119,803	11.28%	2,711	2.32%
Maintenance and repairs	91,671	8.63%	13,517	17.30%
Contractual	68,318	6.43%	2,404	3.65%
Other rental charges	133,297	12.54%	5,127	4.00%
Uniforms	3,397	0.32%	(768)	-18.44%
Training	2,264	0.21%	379	20.11%
Computer expenses	13,423	1.26%	852	6.78%
Communication equipment	144	0.01%	26	22.03%
Interest on serial bonds	41,748	3.93%	28,360	211.83%
Depreciation expense	213,549	20.10%	18,440	9.45%
Pension expense, net	13,824	1.30%	(17,602)	-56.01%
Total expenditures	<u>\$ 1,062,541</u>	<u>100.00%</u>	<u>\$ 61,853</u>	6.18%

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 \$62,000, or 6%, majority due to increase in maintenance repairs, interest on serial bonds, and depreciation expense.

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

	2016 GAAP Basis	Percentage of Total Expenditures	Increase (Decrease) over 2015	Percentage Increase (Decrease)
<b>Expenditures</b>				
Salaries and wages	\$ 109,071	10.90%	\$ 1,601	1.49%
Fringe benefits	70,967	7.09%	3,498	5.18%
Election	903	0.09%	(2,916)	-76.36%
Dues	1,490	0.15%	-	0.00%
Office expenses and supplies	18,745	1.87%	(4,041)	-17.73%
Professional services	87,732	8.77%	(27,710)	-24.00%
Travel expenses	26,266	2.62%	6,014	29.70%
Communication expenses	27,580	2.76%	7,638	38.30%
Purchase of assets not included as capital outlays	7,197	0.72%	2,342	48.24%
Promotion	2,745	0.27%	(715)	-20.66%
Insurance	117,092	11.70%	3,357	2.95%
Maintenance and repairs	78,154	7.81%	(30,682)	-28.19%
Contractual	65,914	6.59%	1,994	3.12%
Other rental charges	128,170	12.81%	4,930	4.00%
Uniforms	4,165	0.41%	1,048	33.62%
Training	1,885	0.19%	193	11.41%
Computer expenses	12,571	1.26%	164	1.32%
Communication equipment	118	0.01%	(2,725)	-95.85%
Interest on serial bonds	13,388	1.34%	(3,037)	-18.49%
Depreciation expense	195,109	19.50%	3,262	1.70%
Pension expense, net	31,426	3.14%	21,402	213.51%
Total expenditures	<u>\$ 1,000,688</u>	<u>100.00%</u>	<u>\$ (14,383)</u>	<u>-1.42%</u>

Some expenditures are contractual in nature and because of market fluctuations, they can vary from year to year depending on the circumstances. Overall, the District experienced a decrease in total expenditures of approximately \$14,000, or 1%, majority due to decrease of maintenance and professional services.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

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

The budget relied on the expectation of a moderate increase in the district tax base. For 2017, the district tax base and property tax rate increased, which produced a revenue increase of approximately \$121,000. For 2016, the district tax base and the assessed tax rate remained constant with prior year which produced a very small increase in tax revenue.



## MANALAPAN TOWNSHIP FIRE DISTRICT #2

### Management's Discussion and Analysis (continued)

#### CAPITAL ASSETS AND DEBT ADMINISTRATION

##### Capital Assets

For the years ended December 31, 2017 and 2016, capital assets changed as follows:

	2016 GAAP Basis	Additions/ Transfer In	Disposals/ Transfer Out	2017 GAAP Basis	Percentage Increase (Decrease)
Capital assets					
Land	\$ 420,903	\$ -	\$ -	\$ 420,903	0.00%
Leasehold Improvements	891,056	730,156	-	1,621,212	81.94%
Equipment	964,359	66,684	(95,680)	935,363	-3.01%
Trucks and vehicles	2,413,480	848,018	(17,181)	3,244,317	34.42%
Construction in progress	1,149,276	466,973	(1,578,174)	38,075	-96.69%
	<u>5,839,074</u>	<u>2,111,831</u>	<u>(1,691,035)</u>	<u>6,259,870</u>	7.21%
Accumulated depreciation	<u>2,792,072</u>	<u>213,549</u>	<u>(98,046)</u>	<u>2,907,575</u>	4.14%
Capital assets, net	<u>\$ 3,047,002</u>	<u>\$ 1,898,282</u>	<u>\$ (1,592,989)</u>	<u>\$ 3,352,295</u>	10.02%

  

	2015 GAAP Basis	Additions/ Transfer In	Disposals/ Transfer Out	2016 GAAP Basis	Percentage Increase (Decrease)
Capital assets					
Land	\$ 420,903	\$ -	\$ -	\$ 420,903	0.00%
Leasehold Improvements	891,056	-	-	891,056	0.00%
Equipment	970,736	39,410	(45,787)	964,359	-0.66%
Trucks and vehicles	2,379,364	34,116	-	2,413,480	1.43%
Construction in progress	471,524	685,187	(7,435)	1,149,276	143.74%
	<u>5,133,583</u>	<u>758,713</u>	<u>(53,222)</u>	<u>5,839,074</u>	13.74%
Accumulated depreciation	<u>2,642,750</u>	<u>195,109</u>	<u>(45,787)</u>	<u>2,792,072</u>	5.65%
Capital assets, net	<u>\$ 2,490,833</u>	<u>\$ 563,604</u>	<u>\$ (7,435)</u>	<u>\$ 3,047,002</u>	22.33%

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

##### Debt

At year end, the District had \$1,071,511 in capital serial bonds outstanding versus \$280,000 last year – an increase of \$791,511, relates to 2017 MCIA bond issued in February 2017.

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

# **MANALAPAN TOWNSHIP FIRE DISTRICT #2**

## **Management's Discussion and Analysis (continued)**

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### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

With the increase in district taxes experienced this year, next year's general fund budget was determined based on an increase due to an increase in the district tax base and tax rate. Some of the significant capital asset items approved in this year's budget will be deferred to subsequent years.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## INDEPENDENT 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, 2017 and 2016, 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 audits 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 opinions.

## Opinions

In our opinions, 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, 2017 and 2016, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### ***Required Supplementary Information***

The accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page A1 through A8, Schedule of the District's Proportionated Share of the Net Pension Liability – PERS, and Schedule of the District's Contributions – PERS on page 28 to 29, and Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual and related notes on page 30 to 34 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 Supplementary 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 Schedules, as listed in the table of contents, is presented for purposes of additional analysis and is 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 2017 and 2016 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 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 September 5, 2018 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 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*

September 5, 2018

## **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 year ended December 31, 2017, 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 September 5, 2018.

### **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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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* or audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

### **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*

September 5, 2018

**Township of Manalapan Fire District No. 2**  
**Monmouth County, New Jersey**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**December 31, 2017**

	General Fund	Capital Fund	Total	Adjustments (Note 2)	Statement of Net Position
<b>Assets and Deferred Outflow of Resources</b>					
Assets					
Cash and investments	\$ 883,339	\$ 1,086,443	\$ 1,969,782	\$ -	\$ 1,969,782
Prepaid expenses	5,575	-	5,575	-	5,575
Interfund receivable	-	83,191	83,191	(83,191)	-
Capital assets, net	-	-	-	3,352,295	3,352,295
Deferred charges to future taxation	-	1,060,000	1,060,000	(1,060,000)	-
Total assets	888,914	2,229,634	3,118,548	2,209,104	5,327,652
Deferred Outflows of Resources					
Pension related	-	-	-	88,896	88,896
Total assets and deferred outflows of resources	<u>\$ 888,914</u>	<u>\$ 2,229,634</u>	<u>\$ 3,118,548</u>	<u>\$ 2,298,000</u>	<u>\$ 5,416,548</u>
<b>Liabilities, Deferred Inflows of Resources, Fund Balances and Net Position</b>					
Current liabilities					
Accounts payable	\$ 56,138	\$ -	\$ 56,138	\$ -	\$ 56,138
PERS	12,697	-	12,697	-	12,697
Reserve for LOSAP trust	196,171	-	196,171	-	196,171
Accrued interest	-	-	-	16,219	16,219
Serial bonds payable - current	-	130,000	130,000	-	130,000
Interfund payable	83,191	-	83,191	(83,191)	-
Improvement authorizations	-	173,415	173,415	(173,415)	-
Total current liabilities	348,197	303,415	651,612	(240,387)	411,225
Other liabilities					
Serial bonds payable - long-term	-	941,511	941,511	-	941,511
Net pension liability	-	-	-	319,052	319,052
Total other liabilities	-	941,511	941,511	319,052	1,260,563
Total liabilities	348,197	1,244,926	1,593,123	78,665	1,671,788
Deferred Inflows of Resources					
Pension related	-	-	-	68,809	68,809
Fund balances					
Committed					
Capital improvements	-	984,708	984,708	(984,708)	-
Assigned					
Appropriation reserves	283,709	-	283,709	(283,709)	-
Designated for subsequent years' expenditures	88,852	-	88,852	(88,852)	-
Unassigned					
General fund	168,156	-	168,156	(168,156)	-
Total fund balances	540,717	984,708	1,525,425	(1,525,425)	-
Total liabilities, fund balances and deferred inflows of resources	<u>\$ 888,914</u>	<u>\$ 2,229,634</u>	<u>\$ 3,118,548</u>		
Net Position					
Net investment in capital assets				2,264,565	2,264,565
Restricted for capital acquisitions				1,086,443	1,086,443
Unrestricted				324,943	324,943
Total net position				<u>3,675,951</u>	<u>3,675,951</u>
Total liabilities, deferred inflows of resources and net position				<u>\$ 2,298,000</u>	<u>\$ 5,416,548</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, 2016**

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Position</u>
<b>Assets and Deferred Outflows of Resources</b>					
Assets					
Cash and investments	\$ 522,779	\$ 569,186	\$ 1,091,965	\$ -	\$ 1,091,965
Prepaid expenses	4,648	-	4,648	-	4,648
Interfund receivable	35,425	-	35,425	(35,425)	-
Capital assets, net	-	-	-	3,047,002	3,047,002
Deferred charges to future taxation	-	1,130,000	1,130,000	(1,130,000)	-
Total assets	<u>562,852</u>	<u>1,699,186</u>	<u>2,262,038</u>	<u>1,881,577</u>	<u>4,143,615</u>
Deferred Outflows of Resources					
Pension related	-	-	-	128,524	128,524
Total assets and deferred outflows of resources	<u>\$ 562,852</u>	<u>\$ 1,699,186</u>	<u>\$ 2,262,038</u>	<u>\$ 2,010,101</u>	<u>\$ 4,272,139</u>
<b>Liabilities, Deferred Inflows of Resources, Fund Balances and Net Position</b>					
Current liabilities					
Accounts payable	\$ 9,802	\$ -	\$ 9,802	\$ -	\$ 9,802
Encumbrances payable	16,474	-	16,474	-	16,474
PERS	12,377	-	12,377	-	12,377
Reserve for LOSAP trust	187,141	-	187,141	-	187,141
Accrued interest	-	-	-	3,150	3,150
Serial bonds payable - current	-	70,000	70,000	-	70,000
Interfund payable	-	35,425	35,425	(35,425)	-
Improvement authorizations	-	602,313	602,313	(602,313)	-
Total current liabilities	<u>225,794</u>	<u>707,738</u>	<u>933,532</u>	<u>(634,588)</u>	<u>298,944</u>
Other liabilities					
Serial bonds payable - long-term	-	210,000	210,000	-	210,000
Net pension liability	-	-	-	412,626	412,626
Total other liabilities	<u>-</u>	<u>210,000</u>	<u>210,000</u>	<u>412,626</u>	<u>622,626</u>
Total liabilities	<u>225,794</u>	<u>917,738</u>	<u>1,143,532</u>	<u>(221,962)</u>	<u>921,570</u>
Deferred Inflows of Resources					
Pension related	-	-	-	1,039	1,039
Fund balances					
Committed					
Capital improvements	-	781,448	781,448	(781,448)	-
Assigned					
Appropriation reserves	189,049	-	189,049	(189,049)	-
Designated for subsequent years' expenditures	99,278	-	99,278	(99,278)	-
Unassigned:					
General fund	48,731	-	48,731	(48,731)	-
Total fund balances	<u>337,058</u>	<u>781,448</u>	<u>1,118,506</u>	<u>(1,118,506)</u>	<u>-</u>
Total liabilities, fund balances and deferred inflows of resources	<u>\$ 562,852</u>	<u>\$ 1,699,186</u>	<u>\$ 2,262,038</u>		
Net Position					
Net investment in capital assets				2,763,852	2,763,852
Restricted for capital acquisitions				569,186	569,186
Unrestricted				16,492	16,492
Total net position				<u>3,349,530</u>	<u>3,349,530</u>
Total liabilities, deferred inflows of resources and net position				<u>\$ 2,010,101</u>	<u>\$ 4,272,139</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, 2017**

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures:					
Operating appropriations	\$ 996,858	\$ -	\$ 996,858	\$ 65,683	\$ 1,062,541
Capital appropriations	200,000	-	200,000	(200,000)	-
Total expenditures	<u>1,196,858</u>	<u>-</u>	<u>1,196,858</u>	<u>(134,317)</u>	<u>1,062,541</u>
Revenues and other financing sources:					
General revenues:					
District taxes	1,381,289	-	1,381,289	-	1,381,289
Supplemental fire services grant	2,631	-	2,631	-	2,631
Interest income	1,705	3,260	4,965	-	4,965
Miscellaneous income	14,892	-	14,892	-	14,892
Loss on disposition of fixed assets	-	-	-	(14,815)	(14,815)
Total general revenues	<u>1,400,517</u>	<u>3,260</u>	<u>1,403,777</u>	<u>(14,815)</u>	<u>1,388,962</u>
Transfers:					
Reserve for future capital outlays	-	200,000	200,000	(200,000)	-
Total general revenues and transfers	<u>1,400,517</u>	<u>203,260</u>	<u>1,603,777</u>	<u>(214,815)</u>	<u>1,388,962</u>
Excess of revenues over expenditures	203,659	203,260	406,919	(406,919)	-
Changes in net position	-	-	-	326,421	326,421
Fund balances / net position:					
Beginning of year	<u>337,058</u>	<u>781,448</u>	<u>1,118,506</u>	<u>2,231,024</u>	<u>3,349,530</u>
End of year	<u>\$ 540,717</u>	<u>\$ 984,708</u>	<u>\$ 1,525,425</u>	<u>\$ 2,150,526</u>	<u>\$ 3,675,951</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, 2016**

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures:					
Operating appropriations	\$ 911,031	\$ -	\$ 911,031	\$ 89,657	\$ 1,000,688
Capital appropriations	<u>300,000</u>	<u>-</u>	<u>300,000</u>	<u>(300,000)</u>	<u>-</u>
Total expenditures	1,211,031	-	1,211,031	(210,343)	1,000,688
Revenues and other financing sources:					
General revenues:					
District taxes	1,260,240	-	1,260,240	-	1,260,240
Interest income	2,059	2,281	4,340	-	4,340
Miscellaneous income	<u>3,494</u>	<u>-</u>	<u>3,494</u>	<u>-</u>	<u>3,494</u>
Total general revenues	1,265,793	2,281	1,268,074	-	1,268,074
Transfers:					
Reserve for future capital outlays	<u>-</u>	<u>300,000</u>	<u>300,000</u>	<u>(300,000)</u>	<u>-</u>
Total general revenues and transfers	<u>1,265,793</u>	<u>302,281</u>	<u>1,568,074</u>	<u>(300,000)</u>	<u>1,268,074</u>
Excess of revenues over expenditures	54,762	302,281	357,043	(357,043)	-
Changes in net position	-	-	-	267,386	267,386
Fund balances / net position:					
Beginning of year	<u>282,296</u>	<u>479,167</u>	<u>761,463</u>	<u>2,320,681</u>	<u>3,082,144</u>
End of year	<u>\$ 337,058</u>	<u>\$ 781,448</u>	<u>\$ 1,118,506</u>	<u>\$ 2,231,024</u>	<u>\$ 3,349,530</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, 2017 and 2016**

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**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, 2017 and 2016, 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 2017 and 2016 years. 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.

**Township of Manalapan Fire District No. 2**  
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*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 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. Significant estimates include the useful lives of capital assets, depreciation expense, and the net pension liability.

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

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.

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

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

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

**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.

The cost of normal maintenance and repairs that do not add the value to the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Depreciation of all fixed assets is recorded as an operating expense in the Statements 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, 2017 and 2016 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.

**Township of Manalapan Fire District No. 2**  
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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.

**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).

**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.
- 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.

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

**2. ADJUSTMENTS TO ARRIVE AT NET POSITION**

**Capital Assets – Net and Net Investment in Capital Assets**

For the years ended December 31, 2017 and 2016 capital assets, net in the amounts of \$3,352,295 and \$3,047,002, respectively, and net investment in capital assets in the amounts of \$2,264,565 and \$2,763,852, respectively, have been included in the government-wide presentation.

**Interfund Receivables and Payables**

For the years ended December 31, 2017 and 2016 interfund balances in the amounts of \$83,191 and \$35,425, 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, 2017 and 2016, fund balances in the amounts of \$1,525,425 and \$1,118,506, respectively, have been eliminated. Unrestricted net position in the amounts of \$324,943 and \$16,492 respectively and net position restricted for capital acquisitions in the amounts of \$1,086,443 and \$569,186, 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, 2017 and 2016 improvement authorizations in the amounts of \$173,415 and \$602,313, respectively, have been eliminated in arriving at the government-wide presentation.

**Deferred Charges to Future Taxation**

For the years ended December 31, 2017 and 2016 deferred charges to future taxation in the amounts of \$1,060,000 and \$1,130,000, 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, 2017 and 2016 the deferred outflows of resources in the amounts of \$88,896 and \$128,524, respectively, and deferred inflows of resources in the amounts of \$68,809 and \$1,039, respectively, have been included in government-wide presentation.



**Township of Manalapan Fire District No. 2**  
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**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, 2017 and 2016 the net pension liability in the amounts of \$319,052 and \$412,626, 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, 2017 and 2016 the accrued interest in the amounts of \$16,219 and \$3,150, 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, 2017, depreciation expense in the amount of \$213,549 has been included in the government-wide presentation. Additionally, to account for fixed asset purchases expensed under the fund basis of accounting, uniforms have been decreased by \$9,734, computer expenses have been decreased by \$2,579, communication equipment has been decreased by \$49,291, purchase of assets not included as capital outlays expense has been decreased by \$43,155, and pension expense, net has been increased by \$13,824. In addition, principal payments on serial bonds expense have been decreased by \$70,000. The interest on serial bonds has been increased by \$13,069. The net effect on operating appropriations is an increase of \$65,683.

For the year ended December 31, 2016, depreciation expense in the amount of \$195,109 has been included in the government-wide presentation. Additionally, to account for fixed asset purchases expensed under the fund basis of accounting, training expense has been decreased by \$600, purchase of assets not included as capital outlays expense has been decreased by \$54,546, uniforms have been decreased by \$4,272, maintenance expense has been decreased by \$1,700, computer expenses have been decreased by \$2,581, communication equipment has been decreased by \$2,392, and pension expense, net has been increased by \$31,426. In addition, principal payments on serial bonds expense have been decreased by \$70,000. The interest on serial bonds is also decreased by \$787. The net effect on operating appropriations is an increase of \$89,657.

**Capital Appropriations and Related Transfers**

For the year ended December 31, 2017, capital appropriations were reduced by \$200,000 and related transfers were decreased by \$200,000 on the government-wide presentation to eliminate the general fund expenditure and capital fund revenue related to the creation of improvement authorizations.

For the year ended December 31, 2016, capital appropriations were reduced by \$300,000 and related transfers were decreased by \$300,000 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, 2017 and 2016 loss on disposition of assets in the amount of \$14,815 and \$0, respectively, have been included in the government-wide presentation to capture the disposal of assets that were not fully depreciated.

**Township of Manalapan Fire District No. 2**  
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**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>2017</u>	<u>2016</u>
Brunswick Bank & Trust – Checking	\$ 2,056	\$ 2,747
Brunswick Bank & Trust – Payroll	689	1,276
Brunswick Bank & Trust – Savings-General	64,839	82,615
Brunswick Bank & Trust – Savings-Capital	4,620	4,650
Brunswick Bank & Trust – CDs Capital	1,081,823	564,536
Brunswick Bank & Trust – CDs General	815,716	436,102
Petty Cash	<u>39</u>	<u>39</u>
Total Cash	<u>\$ 1,969,782</u>	<u>\$ 1,091,965</u>

The carrying amount of the Board’s cash at December 31, 2017 was \$1,969,782 and the bank balance was \$2,007,983. Of the balance, \$250,000 was covered by federal depository insurance and \$1,757,983 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.

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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.	1,757,983
Category 3	Petty cash which are not collateralized or insured	39

The certificates of deposits have terms ranging from 30 days to 180 days, with an interest rate of 0.25% and mature in 2018.

**Investments**

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

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

During the year, the District had none of its idle funds invested in repurchase agreements collateralized by eligible securities. At the close of 2017 and 2016, 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.

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

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

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

**6. FUNDING**

The activities of the Township of Manalapan Fire District No. 2 are primarily funded by the striking of a fire tax on the property owners of the Fire District, as provided for by state statute. For the years ended December 31, 2017 and 2016, the fire tax rate on Fire District No. 2 was \$0.054 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. The District received \$2,631 in 2017 and \$0 in 2016.

**7. LENGTH OF SERVICE AWARD PROGRAM (LOSAP)**

The District maintains a LOSAP in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The Program permits the District to provide tax-deferred income benefits to active volunteer members of an emergency service organization. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the Program and all income attributed to those amounts are the exclusive property of the Fire District, subject to the claims of its general creditors. Participants' rights under the Program are equal to those of a general creditor of the Fire District in an amount equal to the fair market value of the deferred account for each participant. It is unlikely that the Fire District would use Program assets to satisfy claims of the general creditors in the future.

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The District has selected VALIC to administer its LOSAP program. Contributions by the District to this program have been made each year since its inception. The contribution is not based on compensation. New Jersey Statutes set the contribution limits. For 2017 and 2016 the budgeted amount of contribution was \$50,880 and \$58,545, respectively, and the contribution made in 2017 and 2016 was \$41,850 and \$33,380, respectively. The remaining budget is reserved for future distribution. Since this plan is administered by an outside insurance company, it was not made part of this audit. Detail of this program can be obtained from the District upon request.

**8. PENSION PLAN**

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

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

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 and 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Employer and Employee Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. The local employer's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50 percent of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will

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not be included in their unfunded liability. The unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. During the years ended December 31, 2017 and 2016, the PERS received employer and employee contributions as follows:

	<b>2017</b>		<b>2016</b>
Employer contributions	\$ 12,697	\$	12,377
Employee contributions	\$ 7,250	\$	6,770
Salary basis for contributions	\$ 99,728	\$	94,956
Percent of base wages	7.20% - 7.34%		7.06% - 7.20%

Summary of Significant Accounting Policies

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

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

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, 2017 and 2016, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 and 2016. 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, 2017 and 2016 as the measurement dates, respectively.

The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the Local Group in the PERS during the years ended June 30, 2017 and 2016. At December 31, the District's proportionate share and net pension liability was as follows:

	<b>2017</b>		<b>2016</b>
PERS net pension liability (Local Group)	\$ 23,278,401,588	\$	29,617,131,759
District net pension liability	\$ 319,052	\$	412,626
District's proportion	0.0013705924%		0.0013932004%

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

	<b>2017</b>	<b>2016</b>
Proportionate share of allocable plan pension expense	\$ 23,013	\$ 39,394
Pension expense related to specific liabilities of individual employers	(12,697)	(12,377)
Net amortization of deferral amounts from changes in proportion	<u>3,508</u>	<u>4,408</u>
	<u><u>\$ 13,824</u></u>	<u><u>\$ 31,425</u></u>

At December 31, 2017 and 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS as follows:

	<b>2017</b>	
	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Changes of assumptions	\$ 64,278	\$ 64,042
Net difference between projected and actual earnings on pension plan investments	9,686	-
Changes in proportion and differences between the District contributions and proportionate share of contributions	14,932	4,767
District contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
	<u><u>\$ 88,896</u></u>	<u><u>\$ 68,809</u></u>

	<b>2016</b>	
	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Changes of assumptions	\$ 85,474	\$ -
Net difference between projected and actual earnings on pension plan investments	23,408	-
Changes in proportion and differences between the District contributions and proportionate share of contributions	19,642	1,039
District contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
	<u><u>\$ 128,524</u></u>	<u><u>\$ 1,039</u></u>

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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:	<b>Deferred Outflow/Inflows, Net (Local Group)</b>	<b>District Share</b>
2018	\$ 547,996,144	\$ 15,207
2019	826,939,464	22,948
2020	501,083,041	13,905
2021	(666,441,734)	(18,494)
2022	(485,747,054)	(13,480)
	<u>\$ 723,829,861</u>	<u>\$ 20,086</u>

Actuarial Assumptions

The collective total pension liability for the June 30, 2017 and 2016 measurement date was determined by an actuarial valuation as of July 1, 2016 and 2015, respectively, which was rolled forward to June 30, 2017 and 2016, respectively. This actuarial valuation used the following actuarial assumptions:

	<b>2017</b>	<b>2016</b>
Inflation rate	2.25%	3.08%
Salary increases through 2026	1.65 - 4.15% based on age	1.65 - 4.15% based on age
Thereafter	2.65 - 5.15% based on age	2.65 - 5.15% based on age
Investment rate of return	7.00%	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Health Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is unlikely that future experience will not exactly confirm to these assumptions. To the extent that the actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.



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Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00 percent at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S treasuries	3.00%	1.87%
Investment grade credits	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging market equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00 percent and 3.98 percent as of December 31, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00 percent, and a municipal bond rate of 3.58 percent and 2.85 percent as of June 30, 2017 and 2016, 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 contribution rate in the most recent fiscal year. The state employer contributed 40 percent of the actuarially determined contributions and the local employers contributed 100 percent of their actuarially determined 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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Sensitivity of the Collective 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, 2017 and 2016, 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:

	<b>2017</b>		
	<b>At 1 % decrease (4.00%)</b>	<b>At current discount rate (5.00%)</b>	<b>At 1% increase (6.00%)</b>
State	\$ 29,818,581,732	\$ 25,645,622,797	\$ 22,179,578,513
Local	28,878,437,027	23,278,401,588	18,612,878,069
PERS as a whole	<u>\$ 58,697,018,759</u>	<u>\$ 48,924,024,385</u>	<u>\$ 40,792,456,582</u>
District's proportionate share of the net pension liability	<u>\$ 395,806</u>	<u>\$ 319,052</u>	<u>\$ 255,107</u>
	<b>2016</b>		
	<b>At 1 % decrease (2.98%)</b>	<b>At current discount rate (3.98%)</b>	<b>At 1% increase (4.98%)</b>
State	\$ 34,422,851,197	\$ 29,390,685,705	\$ 25,246,574,457
Local	36,292,338,055	29,617,131,759	24,106,170,190
PERS as a whole	<u>\$ 70,715,189,252</u>	<u>\$ 59,007,817,464</u>	<u>\$ 49,352,744,647</u>
District's proportionate share of the net pension liability	<u>\$ 505,625</u>	<u>\$ 412,626</u>	<u>\$ 335,847</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report which can be found at the following link: <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, 2017 and 2016:

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Description	January 1, 2017	Additions/ Transfers In	Deletions / Transfers Out	December 31, 2017
Capital assets not being depreciated:				
Land	\$ 379,221	\$ -	\$ -	\$ 379,221
Construction in progress	1,149,276	466,973	(1,578,174)	38,075
Total	1,528,497	466,973	(1,578,174)	417,296
Capital assets being depreciated:				
Land improvements	41,682	-	-	41,682
Leasehold improvements	891,056	730,156	-	1,621,212
Equipment	964,359	66,684	(95,680)	935,363
Trucks & vehicles	2,413,480	848,018	(17,181)	3,244,317
Total	4,310,577	1,644,858	(112,861)	5,842,574
Less accumulated depreciation:				
Land improvements	14,067	1,042	-	15,109
Leasehold improvements	337,822	46,309	-	384,131
Equipment	643,446	75,845	(80,865)	638,426
Trucks & vehicles	1,796,737	90,353	(17,181)	1,869,909
Total	2,792,072	213,549	(98,046)	2,907,575
Total capital assets being depreciated, net	1,518,505	1,431,309	(14,815)	2,934,999
Net capital assets	\$ 3,047,002	\$ 1,898,282	\$ (1,592,989)	\$ 3,352,295

Description	January 1, 2016	Additions/ Transfers In	Deletions / Transfers Out	December 31, 2016
Capital assets not being depreciated:				
Land	\$ 379,221	\$ -	\$ -	\$ 379,221
Construction in progress	471,524	685,187	(7,435)	1,149,276
Total	850,745	685,187	(7,435)	1,528,497
Capital assets being depreciated:				
Land improvements	41,682	-	-	41,682
Leasehold improvements	891,056	-	-	891,056
Equipment	970,736	39,410	(45,787)	964,359
Trucks & vehicles	2,379,364	34,116	-	2,413,480
Total	4,282,838	73,526	(45,787)	4,310,577
Less accumulated depreciation:				
Land improvements	13,025	1,042	-	14,067
Leasehold improvements	300,640	37,182	-	337,822
Equipment	617,014	72,219	(45,787)	643,446
Trucks & vehicles	1,712,071	84,666	-	1,796,737
Total	2,642,750	195,109	(45,787)	2,792,072
Total capital assets being depreciated, net	1,640,088	(121,583)	-	1,518,505
Net capital assets	\$ 2,490,833	\$ 563,604	\$ (7,435)	\$ 3,047,002

Depreciation expense for the years ended December 31, 2017 and 2016 amounted to \$213,549 and \$195,109, respectively.

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**10. LONG-TERM DEBT**

Fire District Bond – Series 2017

On February 23, 2017, the District issued and sold a fire district bond for \$898,124.25 (face amount of \$775,000, plus net premium of \$123,124.25) to the Monmouth County Improvement Authority. The District also incurred \$36,613 issuance costs. Both are amortized using straight line method. The annual amortization is recorded against interest expense. The unamortized balance of the bond premium and bond issue costs are being offset against the long-term portion of serial bonds payable. The bond is bearing interest rate at 2% for 2018 and 5% annually from 2019 to maturity on February 15, 2027.

The District's long-term debts consisted of the following at December 31, 2017:

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance As Of 12/31/17</u>
Pierce quantum pumper	04/01/10	\$ 700,000	4.50%	\$ 210,000
Rescue fire apparatus	02/23/17	775,000	2.00% & 5.00%	<u>775,000</u>
				985,000
Unamortized bond premium				123,124
Unamortized bond issue costs				(36,613)
Less: current maturities of serial bonds payable				<u>(130,000)</u>
Serial bonds payable, long-term				<u>\$ 941,511</u>

Future debt service requirements for serial bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 130,000	\$ 44,225	\$ 174,225
2019	135,000	38,850	173,850
2020	140,000	32,325	172,325
2021	70,000	27,250	97,250
2022	75,000	23,625	98,625
2023 – 2027	<u>435,000</u>	<u>56,125</u>	<u>491,125</u>
Total	<u>\$ 985,000</u>	<u>\$ 222,400</u>	<u>\$ 1,207,400</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 28, 2018. The amount of consideration for the years ended December 31, 2017 and 2016 was \$133,297 and \$128,170, respectively.

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The District also has an agreement with the Englishtown Fire Department for fire protection services, with an expiration date of February 28, 2018. The amount of consideration for the years ended December 31, 2017 and 2016 was \$43,962 and \$41,869, 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, 2017 through the date of September 5, 2018 which is the date the financial statements were available to be issued. Based on this evaluation, the District has determined that no subsequent events require disclosure in the financial statements.



**MONMOUTH COUNTY, NEW JERSEY  
SUPPLEMENTARY INFORMATION**

**Township of Manalapan Fire District No. 2**  
**Monmouth County, New Jersey**  
**Schedule of the District's Proportionate Share of the Net Pension Liability –**  
**Public Employees' Retirement System (PERS)**  
**Year Ended December 31, 2017**

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	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
District's proportionate of the net pension liability (PERS Local Group)	0.0013705924%	0.0013932004%	0.0013232050%	0.0012574231%
District's proportionate share of the net pension liability (PERS Local Group)	\$ 319,052	\$ 412,626	\$ 297,033	\$ 235,424
District's covered-employee payroll	\$ 99,728	\$ 94,956	\$ 95,160	\$ 91,276
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	320%	435%	312%	258%

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

**Notes to Required Supplementary Information**

**Benefit Changes**

None

**Changes of Assumptions**

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017.

**See Independent Auditors' Report.**

**Township of Manalapan Fire District No. 2**  
**Monmouth County, New Jersey**  
**Schedule of the District's Contributions – Public Employees' Retirement System (PERS)**  
**Year Ended December 31, 2017**

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	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 12,697	\$ 12,377	\$ 11,376	\$ 10,366
Contributions in relation to the contractually required contribution	<u>(12,697)</u>	<u>(12,377)</u>	<u>(11,376)</u>	<u>(10,366)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Percent of base wages	7.20% - 7.34%	7.06% - 7.20%	6.92% - 7.06%	6.78% - 6.92%
District's covered-employee payroll	\$ 99,728	\$ 94,956	\$ 95,160	\$ 91,276
Contributions as a percentage of the District's covered-employee payroll	12.73%	13.03%	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 completed, this presentation will only include information for those years for 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, 2017**

	Governmental Fund Type		Total Actual Amounts			Budgeted Amounts		Budgetary Variance
	General Fund	Capital Fund	Budgetary Basis	Adjustments Note B	GAAP Basis	Original	Final	
<b>Revenues:</b>								
District taxes	\$ 1,381,289	\$ -	\$ 1,381,289	\$ -	\$ 1,381,289	\$ 1,381,289	\$ 1,381,289	\$ -
Supplemental fire services grant	2,631	-	2,631	-	2,631	-	-	2,631
Interest income	1,705	3,260	4,965	-	4,965	-	-	4,965
Miscellaneous income	14,892	-	14,892	-	14,892	-	-	14,892
Loss on disposal of fixed assets	-	-	-	(14,815) (2)	(14,815)	-	-	-
Fund balance utilized - unrestricted	-	-	-	-	-	99,278	99,278	(99,278)
<b>Total revenues</b>	<b>1,400,517</b>	<b>3,260</b>	<b>1,403,777</b>	<b>(14,815)</b>	<b>1,388,962</b>	<b>1,480,567</b>	<b>1,480,567</b>	<b>(76,790)</b>
<b>Transfers:</b>								
Reserve for future capital outlays	-	200,000	200,000	(200,000)	-	-	-	200,000
<b>Total transfers</b>	<b>-</b>	<b>200,000</b>	<b>200,000</b>	<b>(200,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200,000</b>
<b>Total general revenues and transfers</b>	<b>1,400,517</b>	<b>203,260</b>	<b>1,603,777</b>	<b>(214,815)</b>	<b>1,388,962</b>	<b>1,480,567</b>	<b>1,480,567</b>	<b>123,210</b>
<b>Expenditures:</b>								
Operating appropriations:								
Administration:								
Election	841	-	841	-	841	3,000	3,000	2,159
Office expenses	12,760	-	12,760	-	12,760	21,965	21,965	9,205
Professional services	80,833	-	80,833	-	80,833	75,000	75,000	(5,833)
Travel expenses	19,536	-	19,536	-	19,536	25,000	25,000	5,464
Dues	1,282	-	1,282	-	1,282	2,000	2,000	718
Communication expenses	20,693	-	20,693	-	20,693	28,500	28,500	7,807
Purchase of assets not included as capital outlays	-	-	-	-	-	7,000	7,000	7,000
Contingent	-	-	-	-	-	2,500	2,500	2,500
<b>Total administration</b>	<b>135,945</b>	<b>-</b>	<b>135,945</b>	<b>-</b>	<b>135,945</b>	<b>164,965</b>	<b>164,965</b>	<b>29,020</b>

(continued on the following page)

**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, 2017**

	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	44,460	-	44,460	-	44,460	44,460	44,460	-
Secretarial	4,863	-	4,863	-	4,863	4,863	4,863	-
Treasurer	4,863	-	4,863	-	4,863	4,863	4,863	-
Administrator	40,989	-	40,989	-	40,989	40,989	40,989	-
Maintenance manager	5,963	-	5,963	-	5,963	5,954	5,954	(9)
Training officer	3,473	-	3,473	-	3,473	3,473	3,473	-
IT specialist	12,357	-	12,357	-	12,357	12,357	12,357	-
Total salaries and wages	116,968	-	116,968	-	116,968	116,959	116,959	(9)
Fringe benefits:								
LOSAP	50,880	-	50,880	-	50,880	50,880	50,880	-
PERS	12,697	-	12,697	-	12,697	18,415	18,415	5,718
Total fringe benefits	63,577	-	63,577	-	63,577	69,295	69,295	5,718
Contractual:								
Fire hydrant service on rentals	24,356	-	24,356	-	24,356	29,000	29,000	4,644
Contracted services provided by volunteer fire companies	43,962	-	43,962	-	43,962	43,962	43,962	-
Total contractual	68,318	-	68,318	-	68,318	72,962	72,962	4,644
Other expenses:								
Promotion	9,318	-	9,318	-	9,318	10,000	10,000	682
Training	2,264	-	2,264	-	2,264	6,000	6,000	3,736
Insurance	119,803	-	119,803	-	119,803	134,000	134,000	14,197
Membership dues	430	-	430	-	430	3,500	3,500	3,070
Uniforms	13,131	-	13,131	(9,734) (1)	3,397	30,000	30,000	16,869

(continued on the following page)

**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, 2017**

	Governmental Fund Type		Total Actual Amounts			Budgeted Amounts		Budgetary Variance
	General Fund	Capital Fund	Budgetary Basis	Adjustments Note B	GAAP Basis	Original	Final	
Supplies	6,346	-	6,346	-	6,346	25,000	25,000	18,654
Travel expenses	3,585	-	3,585	-	3,585	10,000	10,000	6,415
Maintenance	40,316	-	40,316	-	40,316	75,000	75,000	34,684
Repairs	51,355	-	51,355	-	51,355	40,000	40,000	(11,355)
Other rental charges	133,297	-	133,297	-	133,297	133,297	133,297	-
Contingent expenses	-	-	-	-	-	6,000	6,000	6,000
Professional services	13,243	-	13,243	-	13,243	25,000	25,000	11,757
Computer expenses	16,002	-	16,002	(2,579) (1)	13,423	27,000	27,000	10,998
Communication equipment	49,435	-	49,435	(49,291) (1)	144	50,000	50,000	565
Purchase of assets not included as capital outlays	54,846	-	54,846	(43,155) (1)	11,691	105,000	105,000	50,154
Principal payments serial bonds	70,000	-	70,000	(70,000) (1)	-	135,000	135,000	65,000
Interest on serial bonds	28,679	-	28,679	13,069 (1)	41,748	41,589	41,589	12,910
Pension expense, net	-	-	-	13,824 (1)	13,824	-	-	-
Depreciation expense	-	-	-	213,549 (1)	213,549	-	-	-
Total other expenses	<u>612,050</u>	<u>-</u>	<u>612,050</u>	<u>65,683</u>	<u>677,733</u>	<u>856,386</u>	<u>856,386</u>	<u>244,336</u>
Total operations and maintenance	<u>860,913</u>	<u>-</u>	<u>860,913</u>	<u>65,683</u>	<u>926,596</u>	<u>1,115,602</u>	<u>1,115,602</u>	<u>254,689</u>
Total operating appropriations	<u>996,858</u>	<u>-</u>	<u>996,858</u>	<u>65,683</u>	<u>1,062,541</u>	<u>1,280,567</u>	<u>1,280,567</u>	<u>283,709</u>
Capital appropriations:								
Reserve for future capital outlays	200,000	-	200,000	(200,000)	-	200,000	200,000	-
Total capital appropriations	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>(200,000)</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total expenditures	<u>1,196,858</u>	<u>-</u>	<u>1,196,858</u>	<u>(134,317)</u>	<u>1,062,541</u>	<u>1,480,567</u>	<u>1,480,567</u>	<u>283,709</u>
Excess of revenues over expenditures	203,659	203,260	406,919	(406,919)	-	\$ -	\$ -	\$ 406,919
Changes in net position	-	-	-	326,421	326,421			
Fund balances/net position - beginning of the year	<u>337,058</u>	<u>781,448</u>	<u>1,118,506</u>	<u>2,231,024</u> (3)	<u>3,349,530</u>			
Fund balances, end of the year	<u>\$ 540,717</u>	<u>\$ 984,708</u>	<u>\$ 1,525,425</u>	<u>\$ 2,150,526</u>	<u>\$ 3,675,951</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, 2017**

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**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.	\$ 104,759
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.	(13,069)
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.	(13,824)

**See Independent Auditors’ Report.**

**Township of Manalapan Fire District No. 2**  
**Monmouth County, New Jersey**  
**Notes to Supplementary Information**  
**Year Ended December 31, 2017**

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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>(213,549)</u>
Net decrease in fund balance – budget to GAAP	(65,683)
(2) 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.	(14,815)
(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>2,231,024</u>
	<u>\$ 2,150,526</u>

**C. BUDGET CANCELLATION**

Regulations allow the District to cancel unexpended appropriations before year end by resolution. During the year ended December 31, 2017, the District canceled no appropriations resulting in a reservation of fund balance as follows:

Adopted Budget	\$ 1,480,567
Expenditures	<u>1,196,858</u>
Favorable Variance	283,709
Canceled	<u>-</u>
Fund Balance Reserve	<u>\$ 283,709</u>

**Township of Manalapan Fire District No. 2**  
**Monmouth County, New Jersey**  
**Schedule of Improvement Authorizations – Capital Fund**  
**Year Ended December 31, 2017**

---

Purpose	Authorized Appropriation		Balance	2017	2017	2017	Balance
	Date	Amount	January 1, 2017	Authorization	Expenditures	Transfers	December 31, 2017
Utility building	12/16/13	\$ 425,000	\$ 46,433	\$ -	\$ -	\$ -	\$ 46,433
Opticom system	12/16/13	55,000	125,000	-	-	-	125,000
Rescue truck	02/23/15	850,000	430,880	-	(428,898)	-	1,982
			<u>\$ 602,313</u>	<u>\$ -</u>	<u>\$ (428,898)</u>	<u>\$ -</u>	<u>\$ 173,415</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, 2016**

<u>Purpose</u>	<u>Authorized Appropriation</u>		<u>Balance</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>Balance</u>
	<u>Date</u>	<u>Amount</u>	<u>January 1, 2016</u>	<u>Authorization</u>	<u>Expenditures</u>	<u>Transfers</u>	<u>December 31, 2016</u>
Utility building	12/16/13	\$ 425,000	\$ 312,501	\$ -	\$ (266,068)	\$ -	\$ 46,433
Opticom system	12/16/13	55,000	125,000	-	-	-	125,000
Rescue Truck	02/23/15	850,000	850,000	-	(419,120)	-	430,880
			<u>\$ 1,287,501</u>	<u>\$ -</u>	<u>\$ (685,188)</u>	<u>\$ -</u>	<u>\$ 602,313</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, 2017**

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Purpose	Balance January 1, 2017	2017 Authorizations	Paid by 2017 Budget Appropriation	2017 Bond Issued	Balance December 31, 2017
Unfunded:					
Rescue Truck	\$ 850,000	\$ -	\$ -	\$ (775,000)	\$ 75,000
Funded:					
2010 serial bond - pierce quantum pumper	280,000	-	(70,000)	-	210,000
2017 serial bond - rescue truck	-	-	-	775,000	775,000
	<u>\$ 1,130,000</u>	<u>\$ -</u>	<u>\$ (70,000)</u>	<u>\$ -</u>	<u>\$ 1,060,000</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, 2016**

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Purpose	Balance January 1, 2016	2016 Authorizations	Paid by 2016 Budget Appropriation	2016 Bond Issued	Balance December 31, 2016
Unfunded:					
Rescue Truck	\$ 850,000	\$ -	\$ -	\$ -	\$ 850,000
Funded:					
2010 serial bond - pierce quantum pumper	350,000	-	(70,000)	-	280,000
	<u>\$ 1,200,000</u>	<u>\$ -</u>	<u>\$ (70,000)</u>	<u>\$ -</u>	<u>\$ 1,130,000</u>

See Independent Auditors' Report.

**Township of Manalapan Fire District No. 2**  
**Monmouth County, New Jersey**  
**Statistical Information**  
**Years Ended December 31, 2017 and 2016**

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**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>
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
2016	2,535,589,460	1,260,240	0.050
2017	2,580,775,900	1,381,289	0.054

**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, 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
December 31, 2016	148,009	99,278
December 31, 2017	257,008	88,852

**Capital Fund – Fund Balance**

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
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	-
December 31, 2016	781,448	-
December 31, 2017	984,708	-

See Independent Auditors' Report.

**Township of Manalapan Fire District No. 2**  
**Monmouth County, New Jersey**  
**Roster of Officials**  
**Years Ended December 31, 2017 and 2016**

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<u>Board of Commissioners</u>	<u>Position</u>	<u>Amount of Surety Bond</u>	<u>Term Expiration</u>
Richard W. Hogan	Chairperson	\$ 50,000*	2020
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, 2017 and 2016**

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**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, 2017 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 no individual payment, contract or agreement was made "for the performance of any work or the furnishing or hiring of any materials or supplies", in excess of the statutory thresholds where there had been advertising for bids in accordance with provisions of N.J.S.A. 40A:11-21.

**Miscellaneous**

An exit conference was held in accordance with the generally accepted governmental auditing standards 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, 2017 and 2016**

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**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,



September 5, 2018

**Township of Manalapan Fire District No. 2**  
**Monmouth County, New Jersey**  
**Schedule of Findings and Recommendations**  
**Years Ended December 31, 2017 and 2016**

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**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, 2017 and 2016**

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**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