



MONMOUTH COUNTY, NEW JERSEY
Financial Statements
December 31, 2020 and 2019
With Independent Auditor's Reports

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
December 31, 2020 and 2019

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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, the "District", financial performance provides an overview of the District's financial activities for the years ended December 31, 2020 and 2019.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statements of Net Position and Governmental Funds Balance Sheets and the Statements of Revenues, Expenses, and Changes in Governmental Fund Balances and Net Position provide information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities, these statements tell how district services were financed in the short term as well as what remains for future spending. 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 Statements of Net Position and Governmental Funds Balance Sheets and the Statements of Revenues, 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 Statements of Net Position and Governmental Funds Balance Sheets and the Statements of Revenues, 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 Statements of Net Position and Governmental Funds Balance Sheets and the Statements of Revenues, Expenses, and Changes in Governmental Fund Balances and Net Position, we divide the District into two kinds of activities:

- General Fund activities – Most of the District's basic services are reported here. Property Tax Levies finance most of these activities.

MANALAPAN TOWNSHIP FIRE DISTRICT #2

Management's Discussion and Analysis

- 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 Sheets and the Statements of Revenues, Expenses, and Changes in Governmental Fund Balances and Net Position) and capital funds in reconciliation at the bottom of the fund financial statements.
- Capital funds – Are funds available to be used for the acquisition or construction of major capital facilities and firefighting equipment. The financial resources are derived from the issuance of debt or by reservation of fund balance that are specifically authorized by the voters. The capital fund statements provide details of funds available for future capital projects, funds needed to be raised in future taxation, and outstanding debt.

The District as a Board

Reporting on the District's Fiduciary Responsibilities

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

MANALAPAN TOWNSHIP FIRE DISTRICT #2

Management's Discussion and Analysis

THE DISTRICT AS A WHOLE

For the years ended December 31, 2020 and 2019, net position changed as follows:

	2020 GAAP Basis			Increase (Decrease) over 2019	Percentage Increase (Decrease)
	General Fund Activities	Capital Fund Activities	Total		
Assets and Deferred Outflows of Resources					
Current and other assets	\$ 2,988,167	\$ 1,329,090	\$ 4,317,257	\$ 584,462	15.66%
Capital assets	-	2,862,716	2,862,716	(143,530)	-4.77%
Deferred outflows of resources	50,261	-	50,261	(12,263)	-19.61%
Total assets and deferred outflows of resources	\$ 3,038,428	\$ 4,191,806	\$ 7,230,234	\$ 428,669	6.30%
Liabilities and Deferred Inflows of Resources					
Total liabilities	\$ 1,463,431	\$ 651,433	\$ 2,114,864	\$ (113,249)	-5.08%
Deferred inflows of resources	108,989	-	108,989	6,271	6.11%
Total liabilities and deferred inflows of resources	1,572,420	651,433	2,223,853	(106,978)	-4.59%
Net position					
Net investment in capital assets			2,211,283	7,221	0.33%
Restricted for capital acquisitions			1,329,090	23,179	1.77%
Unrestricted			1,466,008	505,247	52.59%
Total net position			5,006,381	535,647	11.98%
Total liabilities, deferred inflows of resources, and net position			\$ 7,230,234	\$ 428,669	6.30%
	2019 GAAP Basis			Increase (Decrease) over 2018	Percentage Increase (Decrease)
	General Fund Activities	Capital Fund Activities	Total		
Assets and Deferred Outflows of Resources					
Current and other assets	\$ 2,426,884	\$ 1,305,911	\$ 3,732,795	\$ 510,660	15.85%
Capital assets - net	-	3,006,246	3,006,246	(162,308)	-5.12%
Deferred outflows of resources	62,524	-	62,524	(8,279)	-11.69%
Total assets and deferred outflows of resources	\$ 2,489,408	\$ 4,312,157	\$ 6,801,565	\$ 340,073	5.26%
Liabilities and Deferred Inflows of Resources					
Total liabilities	\$ 1,425,929	\$ 802,184	\$ 2,228,113	\$ (101,324)	-4.35%
Deferred inflows of resources	102,718	-	102,718	5,688	5.86%
Total liabilities and deferred inflows of resources	1,528,647	802,184	2,330,831	(95,636)	-3.94%
Net position					
Net investment in capital assets			2,204,062	(16,651)	-0.75%
Restricted for capital acquisitions			1,305,911	15,749	1.22%
Unrestricted			960,761	436,611	83.30%
Total net position			4,470,734	435,709	10.80%
Total liabilities, deferred inflows of resources, and net position			\$ 6,801,565	\$ 340,073	5.26%

Governmental Activities

The General Fund is mainly to provide fire protection to its residents, to 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.

MANALAPAN TOWNSHIP FIRE DISTRICT #2

Management's Discussion and Analysis

THE DISTRICT'S FUNDS

The following schedule presents a summary of revenues and expenditures of general and capital fund for the fiscal years ended December 31, 2020 and 2019 and the amount and percentage of increases and decreases in relation to the prior year.

	2020 GAAP Basis	Percentage of Total Revenues	Increase (Decrease) over 2019	Percentage Increase (Decrease)
Revenues				
District taxes	\$ 1,458,842	95.98%	\$ 6,509	0.45%
Supplemental fire services grant	2,631	0.17%	-	0.00%
Interest income	29,867	1.96%	10,605	55.06%
Miscellaneous income	23,981	1.58%	23,503	4916.95%
Gain (loss) on disposition of fixed assets	<u>4,687</u>	<u>0.31%</u>	<u>21,392</u>	128.06%
Total revenues	<u>\$ 1,520,008</u>	<u>100%</u>	<u>\$ 62,009</u>	4.25%

	2019 GAAP Basis	Percentage of Total Revenues	Increase (Decrease) over 2018	Percentage Increase (Decrease)
Revenues				
District taxes	\$ 1,452,333	99.61%	\$ 33,071	2.33%
Supplemental fire services grant	2,631	0.18%	-	0.00%
Interest income	19,262	1.32%	13,271	221.52%
Miscellaneous income	478	0.03%	(6,932)	-93.55%
Gain (loss) on disposition of fixed assets	<u>(16,705)</u>	<u>(1.15%)</u>	<u>(3,710)</u>	100.00%
Total revenues	<u>\$ 1,457,999</u>	<u>100%</u>	<u>\$ 35,700</u>	2.51%

For the years ended December 31, 2020 and 2019, the District experienced an increase in total revenue of approximately \$62,000 and \$36,000, respectively. The increase is mainly from a decrease in loss on disposal of fixed assets, and an increase in district tax revenues, interest income, and miscellaneous income.

MANALAPAN TOWNSHIP FIRE DISTRICT #2

Management's Discussion and Analysis

	2020 GAAP Basis	Percentage of Total Expenditures	Increase (Decrease) over 2019	Percentage Increase (Decrease)
Expenditures				
Salaries and wages	\$ 147,573	14.99%	\$ 15,811	12.00%
Fringe benefits	56,999	5.79%	(9,086)	-13.75%
Election	2,933	0.30%	1,631	125.27%
Dues	2,795	0.28%	(135)	-4.61%
Office expenses and supplies	19,712	2.00%	(6,320)	-24.28%
Professional services	73,015	7.42%	(5,662)	-7.20%
Travel expenses	-	0.00%	(27,328)	-100.00%
Communication expenses	23,119	2.35%	501	2.22%
Purchase of assets not included as capital outlays	1,150	0.12%	(1,880)	-62.05%
Promotion	362	0.04%	(2,418)	-86.98%
Insurance	118,760	12.06%	1,147	0.98%
Maintenance and repairs	74,629	7.58%	16,088	27.48%
Contractual	71,109	7.22%	2,198	3.19%
Other rental charges	138,629	14.08%	5,332	4.00%
Contingent expenses	233	0.02%	233	100.00%
Uniforms	725	0.07%	579	396.58%
Training	2,494	0.25%	(383)	-13.31%
Computer expenses	18,099	1.84%	4,582	33.90%
Interest on serial bonds	21,574	2.19%	(6,619)	-23.48%
Depreciation expense	210,180	21.34%	(18,877)	-8.24%
Pension expense, net	271	0.03%	(7,323)	-96.43%
 Total expenditures	 \$ 984,361	 100%	 \$ (37,929)	 -3.71%

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 \$38,000 compared to the prior year.

MANALAPAN TOWNSHIP FIRE DISTRICT #2

Management's Discussion and Analysis

	<u>2019 GAAP Basis</u>	<u>Percentage of Total Expenditures</u>	<u>Increase (Decrease) over 2018</u>	<u>Percentage Increase (Decrease)</u>
Expenditures				
Salaries and wages	\$ 131,762	12.89%	\$ 3,952	3.09%
Fringe benefits	66,085	6.46%	1,334	2.06%
Election	1,302	0.13%	390	42.76%
Dues	2,930	0.29%	2,067	239.51%
Office expenses and supplies	26,032	2.55%	3,786	17.02%
Professional services	78,677	7.70%	(1,615)	-2.01%
Travel expenses	27,328	2.67%	(747)	-2.66%
Communication expenses	22,618	2.21%	2,470	12.26%
Purchase of assets not included as capital outlays	3,030	0.30%	(13,987)	-82.19%
Promotion	2,780	0.27%	(565)	-16.89%
Insurance	117,613	11.50%	(5,113)	-4.17%
Maintenance and repairs	58,541	5.73%	(16,428)	-21.91%
Contractual	68,911	6.74%	327	0.48%
Other rental charges	133,297	13.04%	-	0.00%
Uniforms	146	0.00%	(2,011)	-93.23%
Training	2,877	0.28%	(761)	-20.92%
Computer expenses	13,517	1.32%	2,087	18.26%
Interest on serial bonds	28,193	2.76%	(6,143)	-17.89%
Depreciation expense	229,057	22.41%	(10,704)	-4.46%
Pension expense, net	<u>7,594</u>	<u>0.74%</u>	<u>728</u>	10.60%
 Total expenditures	 <u>\$ 1,022,290</u>	 <u>100%</u>	 <u>\$ (40,933)</u>	 -3.85%

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 \$41,000 decrease in total expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

The budget relied on the expectation of a moderate increase in the district tax base. For 2020, the district tax base and property tax rate increased slightly, which produced a small increase in tax revenue of \$6,500. For 2019, the district tax base and property tax rate increased, which produced a revenue increase of approximately \$33,000.

MANALAPAN TOWNSHIP FIRE DISTRICT #2

Management's Discussion and Analysis

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

For the years ended December 31, 2020 and 2019, capital assets changed as follows:

	<u>2019 GAAP Basis</u>	<u>Additions/ Transfer In</u>	<u>Disposals/ Transfer Out</u>	<u>2020 GAAP Basis</u>	<u>Percentage Increase (Decrease)</u>
Capital assets					
Land	\$ 379,221	\$ -	\$ -	\$ 379,221	0.00%
Land improvements	41,682	-	-	41,682	0.00%
Leasehold improvements	1,621,212	9,625	-	1,630,837	0.59%
Equipment	929,141	79,740	(13,034)	995,847	7.18%
Trucks and vehicles	3,024,417	-	(204,950)	2,819,467	-6.78%
Construction in progress	<u>21,001</u>	<u>-</u>	<u>(21,001)</u>	<u>-</u>	-100.00%
	6,016,674	89,365	(238,985)	5,867,054	-2.49%
Accumulated depreciation	<u>3,010,428</u>	<u>210,180</u>	<u>(216,270)</u>	<u>3,004,338</u>	-0.20%
Capital assets, net	<u>\$ 3,006,246</u>	<u>\$ (120,815)</u>	<u>\$ (22,715)</u>	<u>\$ 2,862,716</u>	-4.77%

	<u>2018 GAAP Basis</u>	<u>Additions/ Transfer In</u>	<u>Disposals/ Transfer Out</u>	<u>2019 GAAP Basis</u>	<u>Percentage Increase (Decrease)</u>
Capital assets					
Land	\$ 379,221	\$ -	\$ -	\$ 379,221	0.00%
Land improvements	41,682	-	-	41,682	0.00%
Leasehold improvements	1,621,212	-	-	1,621,212	0.00%
Equipment	946,727	99,332	(116,918)	929,141	-1.86%
Trucks and vehicles	3,024,417	-	-	3,024,417	0.00%
Construction in progress	<u>36,879</u>	<u>21,001</u>	<u>(36,879)</u>	<u>21,001</u>	-43.05%
	6,050,138	120,333	(153,797)	6,016,674	-0.55%
Accumulated depreciation	<u>2,881,584</u>	<u>229,057</u>	<u>(100,213)</u>	<u>3,010,428</u>	4.47%
Capital assets, net	<u>\$ 3,168,554</u>	<u>\$ (108,724)</u>	<u>\$ (53,584)</u>	<u>\$ 3,006,246</u>	-5.12%

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

Debt

At year end, the District had \$640,558 in capital serial bonds outstanding versus \$789,209 last year – a decrease of \$148,651, which relates to payment of principal due annually.

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

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 AUDITOR'S REPORT

To the 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, 2020 and 2019, and related notes to 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.

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

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

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 Township of Manalapan Fire District No. 2, Monmouth County, New Jersey as of December 31, 2020 and 2019, and the respective changes in financial positions 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 pages 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 pages 30 to 31, and Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual and related notes on pages 32 to 36 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 a required part of the financial statements.

The information listed as other schedules in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of 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 August 27, 2021 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.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC".

August 27, 2021

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, 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, 2020, and the related notes to financial statements, which collectively comprise Township of Manalapan Fire District No. 2's basic financial statements, and have issued our report thereon dated August 27, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* 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.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC".

August 27, 2021

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Statement of Net Position and Governmental Funds Balance Sheets
December 31, 2020

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Position</u>
Assets and Deferred Outflow of Resources					
Assets					
Cash and investments	\$ 2,067,422	\$ 1,329,090	\$ 3,396,512	\$ -	\$ 3,396,512
Prepaid expenses	4,247	-	4,247	-	4,247
Interfund receivable	-	572,767	572,767	(572,767)	-
Investment in LOSAP	-	-	-	916,498	916,498
Capital assets, net	-	-	-	2,862,716	2,862,716
Deferred charges to future taxation	-	655,000	655,000	(655,000)	-
Total assets	<u>2,071,669</u>	<u>2,556,857</u>	<u>4,628,526</u>	<u>2,551,447</u>	<u>7,179,973</u>
Deferred outflows of resources					
Pension related	-	-	-	50,261	50,261
Total assets and deferred outflows of resources	<u>\$ 2,071,669</u>	<u>\$ 2,556,857</u>	<u>\$ 4,628,526</u>	<u>\$ 2,601,708</u>	<u>\$ 7,230,234</u>
Liabilities, Deferred Inflows of Resources, Fund Balances, and Net Position					
Current liabilities					
Accounts payable	\$ 15,647	\$ -	\$ 15,647	\$ -	\$ 15,647
Public Employees Retirement System	17,104	-	17,104	-	17,104
Reserve for LOSAP trust	259,215	-	259,215	-	259,215
Net assets available for LOSAP	-	-	-	916,498	916,498
Accrued interest	-	-	-	10,875	10,875
Serial bonds payable - current	-	70,000	70,000	-	70,000
Interfund payable	572,767	-	572,767	(572,767)	-
Improvement authorizations	-	263,790	263,790	(263,790)	-
Total current liabilities	<u>864,733</u>	<u>333,790</u>	<u>1,198,523</u>	<u>90,816</u>	<u>1,289,339</u>
Other liabilities					
Serial bonds payable - long-term	-	570,558	570,558	-	570,558
Net pension liability	-	-	-	254,967	254,967
Total other liabilities	<u>-</u>	<u>570,558</u>	<u>570,558</u>	<u>254,967</u>	<u>825,525</u>
Total liabilities	<u>864,733</u>	<u>904,348</u>	<u>1,769,081</u>	<u>345,783</u>	<u>2,114,864</u>
Deferred inflows of resources					
Pension related	-	-	-	108,989	108,989
Fund balances					
Committed					
Capital improvements	-	1,652,509	1,652,509	(1,652,509)	-
Assigned					
Appropriation reserves	398,923	-	398,923	(398,923)	-
Designated for subsequent years' expenditures	94,455	-	94,455	(94,455)	-
Unassigned					
General fund	713,558	-	713,558	(713,558)	-
Total fund balances	<u>1,206,936</u>	<u>1,652,509</u>	<u>2,859,445</u>	<u>(2,859,445)</u>	<u>-</u>
Total liabilities, fund balances, and deferred inflows of resources	<u>\$ 2,071,669</u>	<u>\$ 2,556,857</u>	<u>\$ 4,628,526</u>		
Net position					
Net investment in capital assets				2,211,283	2,211,283
Restricted for capital acquisitions				1,329,090	1,329,090
Unrestricted				1,466,008	1,466,008
Total net position				<u>5,006,381</u>	<u>5,006,381</u>
Total liabilities, deferred inflows of resources, and net position				<u>\$ 2,601,708</u>	<u>\$ 7,230,234</u>

The 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 Sheets
December 31, 2019

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Position</u>
Assets and Deferred Outflows of Resources					
Assets					
Cash and investments	\$ 1,552,925	\$ 1,305,911	\$ 2,858,836	\$ -	\$ 2,858,836
Prepaid expenses	4,247	-	4,247	-	4,247
Interfund receivable	-	382,492	382,492	(382,492)	-
Investment in LOSAP	-	-	-	869,712	869,712
Capital assets, net	-	-	-	3,006,246	3,006,246
Deferred charges to future taxation	-	795,000	795,000	(795,000)	-
Total assets	<u>1,557,172</u>	<u>2,483,403</u>	<u>4,040,575</u>	<u>2,698,466</u>	<u>6,739,041</u>
Deferred outflows of resources					
Pension related	-	-	-	62,524	62,524
Total assets and deferred outflows of resources	<u>\$ 1,557,172</u>	<u>\$ 2,483,403</u>	<u>\$ 4,040,575</u>	<u>\$ 2,760,990</u>	<u>\$ 6,801,565</u>
Liabilities, Deferred Inflows of Resources, Fund Balances, and Net Position					
Current liabilities					
Accounts payable	\$ 28,118	\$ -	\$ 28,118	\$ -	\$ 28,118
Public Employees Retirement System	14,750	-	14,750	-	14,750
Reserve for LOSAP trust	240,119	-	240,119	-	240,119
Net assets available for LOSAP	-	-	-	869,712	869,712
Accrued interest	-	-	-	12,975	12,975
Serial bonds payable - current	-	140,000	140,000	-	140,000
Interfund payable	382,492	-	382,492	(382,492)	-
Improvement authorizations	-	173,415	173,415	(173,415)	-
Total current liabilities	<u>665,479</u>	<u>313,415</u>	<u>978,894</u>	<u>326,780</u>	<u>1,305,674</u>
Other liabilities					
Serial bonds payable - long-term	-	649,209	649,209	-	649,209
Net pension liability	-	-	-	273,230	273,230
Total other liabilities	<u>-</u>	<u>649,209</u>	<u>649,209</u>	<u>273,230</u>	<u>922,439</u>
Total liabilities	<u>665,479</u>	<u>962,624</u>	<u>1,628,103</u>	<u>600,010</u>	<u>2,228,113</u>
Deferred inflows of resources					
Pension related	-	-	-	102,718	102,718
Fund balances					
Committed					
Capital improvements	-	1,520,779	1,520,779	(1,520,779)	-
Assigned					
Appropriation reserves	347,301	-	347,301	(347,301)	-
Designated for subsequent years' expenditures	112,198	-	112,198	(112,198)	-
Unassigned					
General fund	432,194	-	432,194	(432,194)	-
Total fund balances	<u>891,693</u>	<u>1,520,779</u>	<u>2,412,472</u>	<u>(2,412,472)</u>	<u>-</u>
Total liabilities, fund balances, and deferred inflows of resources	<u>\$ 1,557,172</u>	<u>\$ 2,483,403</u>	<u>\$ 4,040,575</u>		
Net position					
Net investment in capital assets				2,204,062	2,204,062
Restricted for capital acquisitions				1,305,911	1,305,911
Unrestricted				960,761	960,761
Total net position				<u>4,470,734</u>	<u>4,470,734</u>
Total liabilities, deferred inflows of resources, and net position				<u>\$ 2,760,990</u>	<u>\$ 6,801,565</u>

The 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, 2020

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures					
Operating appropriations	\$ 983,399	\$ (8,651)	\$ 974,748	\$ 9,613	\$ 984,361
	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>(200,000)</u>	<u>-</u>
Total expenditures	<u>1,183,399</u>	<u>(8,651)</u>	<u>1,174,748</u>	<u>(190,387)</u>	<u>984,361</u>
Revenues and other financing sources					
General revenues					
District taxes	1,458,842	-	1,458,842	-	1,458,842
Supplemental fire services grant	2,631	-	2,631	-	2,631
Interest income	6,788	23,079	29,867	-	29,867
Miscellaneous income	23,981	-	23,981	-	23,981
Gain (loss) on disposition of fixed assets	6,400	-	6,400	(1,713)	4,687
Total general revenues	<u>1,498,642</u>	<u>23,079</u>	<u>1,521,721</u>	<u>(1,713)</u>	<u>1,520,008</u>
Transfers					
Reserve for future capital outlays	-	100,000	100,000	(100,000)	-
Total transfers	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>
Total general revenues and transfers	<u>1,498,642</u>	<u>123,079</u>	<u>1,621,721</u>	<u>(101,713)</u>	<u>1,520,008</u>
Excess of revenues over expenditures	315,243	131,730	446,973	(446,973)	-
Changes in net position	-	-	-	535,647	535,647
Fund balances / net position					
Beginning of year	<u>891,693</u>	<u>1,520,779</u>	<u>2,412,472</u>	<u>2,058,262</u>	<u>4,470,734</u>
End of year	<u>\$ 1,206,936</u>	<u>\$ 1,652,509</u>	<u>\$ 2,859,445</u>	<u>\$ 2,146,936</u>	<u>\$ 5,006,381</u>

The 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, 2019

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures					
Operating appropriations	\$ 1,014,750	\$ (8,651)	\$ 1,006,099	\$ 16,191	\$ 1,022,290
Capital appropriations	300,000	-	300,000	(300,000)	-
Total expenditures	<u>1,314,750</u>	<u>(8,651)</u>	<u>1,306,099</u>	<u>(283,809)</u>	<u>1,022,290</u>
Revenues and other financing sources					
General revenues					
District taxes	1,452,333	-	1,452,333	-	1,452,333
Supplemental fire services grant	2,631	-	2,631	-	2,631
Interest income	4,162	15,100	19,262	-	19,262
Miscellaneous income	478	-	478	-	478
Gain (loss) on disposition of fixed assets	-	-	-	(16,705)	(16,705)
Total general revenues	<u>1,459,604</u>	<u>15,100</u>	<u>1,474,704</u>	<u>(16,705)</u>	<u>1,457,999</u>
Transfers					
Reserve for future capital outlays	-	300,000	300,000	(300,000)	-
Total general revenues and transfers	<u>1,459,604</u>	<u>315,100</u>	<u>1,774,704</u>	<u>(316,705)</u>	<u>1,457,999</u>
Excess of revenues over expenditures	144,854	323,751	468,605	(468,605)	-
Changes in net position	-	-	-	435,709	435,709
Fund balances / net position					
Beginning of year	<u>746,839</u>	<u>1,197,028</u>	<u>1,943,867</u>	<u>2,091,158</u>	<u>4,035,025</u>
End of year	<u>\$ 891,693</u>	<u>\$ 1,520,779</u>	<u>\$ 2,412,472</u>	<u>\$ 2,058,262</u>	<u>\$ 4,470,734</u>

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

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The accounting policies of Township of Manalapan Fire District No. 2 (the "District") conform to the accounting principles generally accepted in the United States of America and the standards applicable to special districts which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. For the years ended December 31, 2020 and 2019, the financial statements of Township of Manalapan Fire District No. 2 have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

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

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the *GASB Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The 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 2020 and 2019. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

Basis of Presentation

Combined Fund and Government-wide Financial Statements

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

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

Governmental Fund Types

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

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2020 and 2019

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 monies under the established payment schedule, and the unpaid amount is considered to be an "accounts receivable".

Government-wide Basis of Accounting

The government-wide statements are presented using 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
Notes to Financial Statements
December 31, 2020 and 2019

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 the 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 cost 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, 15 years for land improvements, 5-10 years for equipment, and leasehold improvements are amortized over their economic lives or terms of lease, whichever is shorter.

Impairment of Capital Assets

In accordance with the provisions of the pronouncement related to accounting and financial reporting for impairment of capital assets, the District assesses capital assets for impairment whenever events or changes in circumstances indicate that the service utility of the capital asset have both significantly and unexpectedly declined. For the years ended December 31, 2020 and 2019, 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 statements of revenues, expenses, and changes in governmental fund balances and net position.

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

Township of Manalapan Fire District No. 2
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Notes to Financial Statements
December 31, 2020 and 2019

Long-Term Obligations

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

Deferred Outflows/Inflows of Resources

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

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

Net Position

Fund Basis

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

- Nonspendable – includes amounts that are not in a spendable form or not expected to be converted to cash (inventory, for example) or are legally and contractually required to be maintained intact (principal of an endowment fund, for example).
- Restricted – includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors, contributors, creditors, or law or regulations of other governments or through enabling legislation that creates a new revenue source and restricts its use. Restrictions may be changed or lifted with the consent of resource providers.
- Committed – includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority, the Board of Commissioners. The constraint can only be removed or changed by taking the same type of action the District employed to commit those amounts. Such formal action consists of an affirmative vote by the Board of Commissioners.
- Assigned – comprises amounts intended to be used by the District for specific purposes, but are neither restricted nor committed. Intent is expressed by the District Board of Commissioners.
- Unassigned – this is the residual amount for the General Fund, and represents the fund balance that has not been restricted, committed, or assigned. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for 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
Notes to Financial Statements
December 31, 2020 and 2019

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 “net investment in capital assets,” or “restricted for capital acquisitions.”

2. ADJUSTMENTS TO ARRIVE AT NET POSITION

Capital Assets – Net and Net Investment in Capital Assets

For the years ended December 31, 2020 and 2019, capital assets, net in the amounts of \$2,862,716 and \$3,006,246, respectively, and net investment in capital assets in the amounts of \$2,211,283 and \$2,204,062, respectively, have been included in the government-wide presentation.

Interfund Receivables and Payables

For the years ended December 31, 2020 and 2019, interfund balances in the amounts of \$572,767 and \$382,492, 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, 2020 and 2019, fund balances in the amounts of \$2,859,445 and \$2,412,472, respectively, have been eliminated. Unrestricted net position in the amounts of \$1,466,008 and \$960,761, respectively, and net position restricted for capital acquisitions in the amounts of \$1,329,090 and \$1,305,911, 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, 2020 and 2019, improvement authorizations in the amount of \$263,790 and \$173,415, respectively, have been eliminated in arriving at the government-wide presentation.

Deferred Charges to Future Taxation

For the years ended December 31, 2020 and 2019, deferred charges to future taxation in the amounts of \$655,000 and \$795,000, respectively, have been eliminated in arriving at the government-wide presentation.

Investment in LOSAP/Net Assets Available for LOSAP

For GAAP purposes, investment in LOSAP and related net assets available for LOSAP are funds held in the trust for future distribution to retirees. For budgetary purposes, it is not the financial resource for the District’s operating expenses. Therefore, for the years ended December 31, 2020 and 2019, the investment in LOSAP and related net assets available for LOSAP in the amount of \$916,498 and \$869,712, respectively, have been included in the government-wide presentation.

Township of Manalapan Fire District No. 2
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Notes to Financial Statements
December 31, 2020 and 2019

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, 2020 and 2019, the deferred outflows of resources in the amounts of \$50,261 and \$62,524, respectively, and deferred inflows of resources in the amounts of \$108,989 and \$102,718, respectively, have been included in government-wide presentation.

Net Pension Liability

For GAAP purposes, net pension liability is an accrual expense for future payments. It is not due in the current period for budgetary purposes. Therefore, for the years ended December 31, 2020 and 2019, the net pension liability in the amounts of \$254,967 and \$273,230, 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, 2020 and 2019, the accrued interest in the amounts of \$10,875 and \$12,975, 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, 2020, depreciation expense in the amount of \$210,180 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 \$7,446, communication equipment has been decreased by \$37,613, computer expense has been decreased by \$5,915, purchase of assets not included as capital outlays expense has been decreased by \$3,769, and pension expense, net has been increased by \$271. Purchase of assets not included as capital outlays expense decreased by \$3,995. In addition, principal payments on serial bonds expense have been decreased by \$140,000. The interest on serial bonds is also decreased by \$2,100. The net effect on operating appropriations is an increase of \$9,613.

For the year ended December 31, 2019, depreciation expense in the amount of \$229,057 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 \$39,739, communication equipment has been decreased by \$16,308, rescue equipment decreased by \$472, purchase of assets not included as capital outlays expense decreased by \$26,935, and pension expense, net increased by \$7,594. In addition, principal payments on serial bonds expense decreased by \$135,000. The interest on serial bonds also decreased by \$2,006. The net effect on operating appropriations is an increase of \$16,191.

Capital Appropriations and Related Transfers

For the years ended December 31, 2020 and 2019, capital appropriations were reduced by \$200,000 and \$300,000, respectively, and related transfers were decreased by \$100,000 and \$300,000, respectively, 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, 2020 and 2019, loss on disposition of assets in the amount of \$1,713 and \$16,705, respectively, have been included in the government-wide presentation to capture the disposal of assets that were not fully depreciated.

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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% of the average daily balance of public funds; or

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

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

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

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

	<u>2020</u>	<u>2019</u>
Brunswick Bank & Trust – Checking	\$ 3,666	\$ 4,389
Brunswick Bank & Trust – Payroll	2,313	905
Brunswick Bank & Trust – Savings-General	141,080	601,303
Brunswick Bank & Trust – Savings-Capital	4,826	4,722
Brunswick Bank & Trust – CDs Capital	1,324,264	1,301,189
Brunswick Bank & Trust – CDs General	1,920,324	946,289
Petty Cash	<u>39</u>	<u>39</u>
Total Cash	<u>\$ 3,396,512</u>	<u>\$ 2,858,836</u>

The carrying amount of the Board’s cash at December 31, 2020 was \$3,396,512, and the bank balance was \$3,436,546. Of the balance, \$250,000 was covered by federal depository insurance, and \$3,185,546 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 and cash on hand 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	\$ 3,186,546
Category 3	Cash on hand which is not collateralized or insured	\$ 39

The certificates of deposits have terms ranging from 30 days to 365 days, with interest rates of 0.25% to 2.05%, and mature in 2021.

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 2020 and 2019, 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 monies so assessed to the treasurer or custodian of funds of said fire district as follows; on or before April 1, an amount equaling 21.25% of all monies so assessed; on or before July 1, an amount equaling 22.50% of all monies so assessed; on or before October 1, an amount equaling 25% of all monies so assessed; and on or before December 31, an amount equaling the difference between the total of all monies so assessed and the total amount of such monies previously paid over, to be held and expended for the purpose of providing and maintaining means for extinguishing fires in such district.

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

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

6. FUNDING

The activities of Township of Manalapan Fire District No. 2 are primarily funded by the striking of a fire tax on the property owners of the Fire District, as provided for by state statute. For the years ended December 31, 2020 and 2019, the fire tax rate on Fire District No. 2 was \$.052 for both years, 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 both 2020 and 2019.

7. LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

The Fire District offers its employees a Length of Service Award Program in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The Program permits the District to provide tax-deferred income benefits to active volunteer members of an emergency service organization. The tax-deferred income benefits come from contributions made solely by the governing body of the District, on behalf of those volunteers who meet the criteria of the Plan created by the governing body. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

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Contributions

If an active member meets the year of active service agreement, a length of service award program must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,787 for the year ended December 31, 2020, and \$1,742 for the year ended December 31, 2019. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40a:14-185(f)). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually. Contributions by the District to this program have been made each year since its inception. The District elected to contribute \$1,742 for the year ended December 31, 2020 and \$1,717 for the year ended December 31, 2019, per eligible volunteer, into the Plan. For 2020 and 2019, the budgeted amount of contribution was \$40,000 and \$51,270, respectively, each year and the contribution made in 2020 and 2019 was \$20,904 and \$20,604, respectively. The remaining budget is reserved for future distribution. Participants direct the investment of the contributions into various investment options offered by the Plan. The District has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the Plan. The type of investment options, and the administering of such investments, rests solely with the third-party, VALIC ("Plan Administrator"), an approved LOSAP provider.

Participant Accounts

Each participant's account is credited with the District's contribution and Plan earnings, and charged with administrative expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. The District has placed the amounts deferred, including earnings, in a trust maintained by the Plan Administrator for the exclusive benefit of the plan participants and their beneficiaries. Such funds, although subject to the claims of the District's creditors until distributed as benefit payments, are not available for funding the operations of the District. The funds may also be used to pay the administrative fees charged by the Plan Administrator.

The District's practical involvement in the Plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the Plan Administrator.

Vesting

Benefits, plus actual earnings thereon, are 100% vested after five (5) years of service.

Payment of Benefits

Upon retirement or disability, participants may select various payout options, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate. In the event of an unforeseeable emergency, as outlined in the Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the Plan Administrator to payout a portion of vested accumulated deferrals. During the years ended December 31, 2020 and 2019, no payments were made to vested participants.

Forfeited Accounts

There were no forfeitures during the years ended December 31, 2020 and 2019.

Investments in LOSAP

The investments of the LOSAP reported on the government-wide presentation statements of net position and governmental funds balance sheets are recorded at fair value.

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The District uses a fair value hierarchy established by GAAP that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are:

Level 1 – Valuation is based upon quoted prices for identical assets.

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and inputs other than quoted prices that are observable instruments in the market.

Level 3 – Valuation is generated from model-based techniques that use significant unobservable inputs.

The following tables set forth by level, within the value hierarchy, the District’s assets at fair value at December 31.

	2020			
	Level 1	Level 2	Level 3	Total
Growth	\$ 38,530	\$ -	\$ -	\$ 38,530
Bond	47,125	-	-	47,125
Small cap value	56,451	-	-	56,451
Mid-cap series/growth	106,021	-	-	106,021
Large cap value	28,784	-	-	28,784
Equity fund	6,451	-	-	6,451
Index fund	93,630	-	-	93,630
Value fund	13,611	-	-	13,611
Health, science and technology fund	79,077	-	-	79,077
Government money market	-	51,184	-	51,184
Fixed account	336,820	-	-	336,820
International opportunities/foreign value	58,814	-	-	58,814
Total assets at fair value	<u>\$ 865,314</u>	<u>\$ 51,184</u>	<u>\$ -</u>	<u>\$ 916,498</u>

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	2019			
	Level 1	Level 2	Level 3	Total
Growth	\$ 34,840	\$ -	\$ -	\$ 34,840
Bond	9,330	-	-	9,330
Small cap value	49,162	-	-	49,162
Mid-cap series/growth	93,908	-	-	93,908
Large cap value	27,611	-	-	27,611
Equity fund	5,459	-	-	5,459
Index fund	76,458	-	-	76,458
Value fund	13,245	-	-	13,245
Health, science and technology fund	55,691	-	-	55,691
Government money market	-	103,616	-	103,616
Fixed account	348,420	-	-	348,420
International opportunities/foreign value	51,972	-	-	51,972
Total assets at fair value	<u>\$ 766,096</u>	<u>\$ 103,616</u>	<u>\$ -</u>	<u>\$ 869,712</u>

Risk and Uncertainties

The Plan invests in various investment securities and is exposed to various risks such as interest rate, market, and credit risks due to the level of risk associated with certain investment securities. It is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participant's account balances and the amounts reported in the statements of net position and governmental funds balance sheets.

Plan Information

Additional information about the District's LOSAP can be obtained by contacting the Plan Administrator.

8. PENSION PLAN

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

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

Tier	Definition
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

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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 his or her 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% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers were credited with the full payment and any such amounts were not to be included in their unfunded liability. The unfunded liability is being paid by the employer in level annual payments over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of assets. During the years ended December 31, 2020 and 2019, the PERS received employer and employee contributions as follows:

	<u>2020</u>	<u>2019</u>
Employer contributions	\$ 17,104	\$ 14,750
Employee contributions	\$ 7,482	\$ 8,120
Salary basis for contributions	\$ 99,756	\$ 108,260
Percent of base wages	7.50%	7.50%

Summary of Significant Accounting Policies

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

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

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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, 2020 and 2019, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 and 2019. 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, 2020 and 2019 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, 2020 and 2019. At December 31, the District's proportionate share and net pension liability was as follows:

	<u>2020</u>	<u>2019</u>
PERS net pension liability (Local Group)	\$ 16,435,616,426	\$ 18,143,832,135
District net pension liability	\$ 254,967	\$ 273,230
District's proportion	0.0015513078%	0.0015059112%

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

	<u>2020</u>	<u>2019</u>
Proportionate share of allocable plan pension expense	\$ 6,092	\$ 12,667
Pension expense related to specific liabilities of individual employers	-	-
Net amortization of deferral amounts from changes in proportion	11,283	9,677
	<u>\$ 17,375</u>	<u>\$ 22,344</u>

At December 31, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to PERS as follows:

	<u>2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 8,271	\$ 106,757
Net difference between projected and actual earnings on pension plan investments	8,715	-
Difference between expected and actual experience	4,643	902
Changes in proportion and differences between the District contributions and proportionate share of contributions	28,632	1,330
District contributions subsequent to the measurement date	-	-
	<u>\$ 50,261</u>	<u>\$ 108,989</u>

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	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 27,283	\$ 94,837
Net difference between projected and actual earnings on pension plan investments	-	4,313
Difference between expected and actual experience	4,904	1,207
Changes in proportion and differences between the District contributions and proportionate share of contributions	30,337	2,361
District contributions subsequent to the measurement date	-	-
	<u>\$ 62,524</u>	<u>\$ 102,718</u>

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

	Deferred Outflows/Inflows, Net (Local Group)	District Share
2021	\$ (2,046,278,639)	\$ (21,840)
2022	(1,865,583,957)	(19,912)
2023	(1,066,133,576)	(11,379)
2024	(431,126,457)	(4,602)
2025	(93,243,501)	(995)
	<u>\$ (5,502,366,130)</u>	<u>\$ (58,728)</u>

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Actuarial Assumptions

The collective total pension liability for the June 30, 2020 and 2019 measurement date was determined by an actuarial valuation as of July 1, 2019 and 2018, respectively, which was rolled forward to June 30, 2020 and 2019, respectively. This actuarial valuation used the following actuarial assumptions:

	<u>2020</u>	<u>2019</u>
Inflation rate		
Price	2.75%	2.75%
Wage	3.25%	3.25%
Salary increases through 2026	2.00-6.00%	2.00-6.00%
	based on years of service	based on years of service
Thereafter	3.00-7.00%	3.00-7.00%
	based on years of service	based on years of service
Investment rate of return	7.00%	7.00%

For June 30, 2020, the following assumptions were used:

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

For June 30, 2019, the following assumptions were used:

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2019 and 2018 valuations were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

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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% at June 30, 2020) 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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Market Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	3.00%	3.40%

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
US Treasuries	5.00%	2.68%
Investment Grade Credits	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
US Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Market Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

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Discount Rate

The discount rate used to measure the total pension liability was 7.00% and 6.28% as of June 30, 2020 and 2019, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.21% and 3.50% as of June 30, 2020 and 2019, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers for the year ended June 30, 2020.

For the year ended June 30, 2019, the projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members and projected future benefit payments of current plan members through 2057 for the years ended June 30, 2020 and 2019, respectively. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments and projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the District's proportionate share of the net pension liability measured as of December 31, 2020 and 2019, 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:

	2020		
	At 1 % Decrease	At Current	At 1% Increase
	(6.00%)	Discount Rate	(8.00%)
	(7.00%)		
State	\$ 25,353,758,472	\$ 22,223,967,525	\$ 19,576,310,991
Local	20,689,699,233	16,435,616,426	12,825,910,903
PERS as a whole	<u>\$ 46,043,457,705</u>	<u>\$ 38,659,583,951</u>	<u>\$ 32,402,221,894</u>
District's proportionate share of the net pension liability	<u>\$ 320,961</u>	<u>\$ 254,967</u>	<u>\$ 198,969</u>

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	2019		
	At Current		
	At 1 % Decrease	Discount Rate	At 1% Increase
	(5.28%)	(6.28%)	(7.28%)
State	\$ 26,475,719,181	\$ 23,012,420,340	\$ 20,102,167,445
Local	<u>22,918,608,260</u>	<u>18,143,832,135</u>	<u>14,120,406,763</u>
PERS as a whole	<u>\$ 49,394,327,441</u>	<u>\$ 41,156,252,475</u>	<u>\$ 34,222,574,208</u>
District's proportionate share of the net pension liability	<u>\$ 345,134</u>	<u>\$ 273,230</u>	<u>\$ 212,641</u>

Pension Plan Fiduciary Net Position

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

9. CAPITAL ASSETS

The following schedule is a summarization of the capital assets by source for the years ended December 31, 2020 and 2019:

Description	January 1, 2020	Additions/ Transfers In	Deletions/ Transfers Out	December 31, 2020
Capital assets not being depreciated				
Land	\$ 379,221	\$ -	\$ -	\$ 379,221
Construction in progress	<u>21,001</u>	<u>-</u>	<u>(21,001)</u>	<u>-</u>
Total	<u>400,222</u>	<u>-</u>	<u>(21,001)</u>	<u>379,221</u>
Capital assets being depreciated				
Land improvements	41,682	-	-	41,682
Leasehold improvements	1,621,212	9,625	-	1,630,837
Equipment	929,141	79,740	(13,034)	995,847
Trucks and vehicles	<u>3,024,417</u>	<u>-</u>	<u>(204,950)</u>	<u>2,819,467</u>
Total	<u>5,616,452</u>	<u>89,365</u>	<u>(217,984)</u>	<u>5,487,833</u>
Less accumulated depreciation				
Land improvements	17,193	1,042	-	18,235
Leasehold improvements	495,003	54,434	-	549,437
Equipment	626,354	53,609	(11,320)	668,643
Trucks and vehicles	<u>1,871,878</u>	<u>101,095</u>	<u>(204,950)</u>	<u>1,768,023</u>
Total	<u>3,010,428</u>	<u>210,180</u>	<u>(216,270)</u>	<u>3,004,338</u>
Total capital assets being depreciated, net	<u>2,606,024</u>	<u>(120,815)</u>	<u>(1,714)</u>	<u>2,483,495</u>
Net capital assets	<u>\$ 3,006,246</u>	<u>\$ (120,815)</u>	<u>\$ (22,715)</u>	<u>\$ 2,862,716</u>

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2020 and 2019

Description	January 1, 2019	Additions/ Transfers In	Deletions/ Transfers Out	December 31, 2019
Capital assets not being depreciated				
Land	\$ 379,221	\$ -	\$ -	\$ 379,221
Construction in progress	36,879	21,001	(36,879)	21,001
Total	<u>416,100</u>	<u>21,001</u>	<u>(36,879)</u>	<u>400,222</u>
Capital assets being depreciated				
Land improvements	41,682	-	-	41,682
Leasehold improvements	1,621,212	-	-	1,621,212
Equipment	946,727	99,332	(116,918)	929,141
Trucks and vehicles	3,024,417	-	-	3,024,417
Total	<u>5,634,038</u>	<u>99,332</u>	<u>(116,918)</u>	<u>5,616,452</u>
Less accumulated depreciation				
Land improvements	16,151	1,042	-	17,193
Leasehold improvements	439,567	55,436	-	495,003
Equipment	664,304	62,263	(100,213)	626,354
Trucks and vehicles	1,761,562	110,316	-	1,871,878
Total	<u>2,881,584</u>	<u>229,057</u>	<u>(100,213)</u>	<u>3,010,428</u>
Total capital assets being depreciated, net	<u>2,752,454</u>	<u>(129,725)</u>	<u>(16,705)</u>	<u>2,606,024</u>
Net capital assets	<u>\$ 3,168,554</u>	<u>\$ (108,724)</u>	<u>\$ (53,584)</u>	<u>\$ 3,006,246</u>

Depreciation expense for the years ended December 31, 2020 and 2019 amounted to \$210,180 and \$229,057, respectively.

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 (face amount of \$775,000, plus net premium of \$123,124) to the Monmouth County Improvement Authority. The District also incurred \$36,613 issuance costs. Both are amortized using the straight line method. The annual amortization is recorded against interest expense. The unamortized balance of the bond premium and bond issue costs are being offset against the long-term portion of serial bonds payable. The bond is bearing interest rate at 5% annually from 2020 to maturity on February 15, 2027.

Interest expense on these bonds amounted to \$21,574 and \$28,193 for the years ended December 31, 2020 and 2019, respectively.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Financial Statements
December 31, 2020 and 2019

The District's long-term debts consisted of the following at December 31, 2020:

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance as of 12/31/20</u>
Rescue fire apparatus	2/23/2017	\$ 775,000	2.00% & 5.00%	\$ 580,000
				580,000
Unamortized bond premium				86,188
Unamortized bond issue costs				(25,630)
Less current maturities of serial bonds payable				<u>(70,000)</u>
Serial bonds payable, long-term				<u>\$ 570,558</u>

Future debt service requirements for serial bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 70,000	\$ 27,250	\$ 97,250
2022	75,000	23,625	98,625
2023	80,000	19,750	99,750
2024	85,000	15,625	100,625
2025	85,000	11,375	96,375
2026-2027	<u>185,000</u>	<u>9,375</u>	<u>194,375</u>
Total	<u>\$ 580,000</u>	<u>\$ 107,000</u>	<u>\$ 687,000</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, 2021. The amount of consideration for the years ended December 31, 2020 and 2019 was \$138,629 and \$133,297 each year.

The District also has an agreement with the Englishtown Fire Department for fire protection services, with an expiration date of February 28, 2021. The amount of consideration for the years ended December 31, 2020 and 2019 was \$46,160 and \$43,962 each 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, 2020 through the date of August 27, 2021, which is the date the financial statements were available to be issued. Based on this evaluation, the District has determined that no subsequent events require disclosure in the financial statements.



**MONMOUTH COUNTY, NEW JERSEY
SUPPLEMENTARY INFORMATION**

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of the District's Proportionate Share of the Net Pension Liability –
Public Employees' Retirement System (PERS)
Years Ended December 31, 2020 through 2015

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportionate of the net pension liability (PERS Local Group)	0.0015513078%	0.0015059112%	0.0014200613%	0.0013705924%	0.0013932004%	0.0013232050%
District's proportionate share of the net pension liability (PERS Local Group)	\$ 254,967	\$ 273,230	\$ 279,603	\$ 319,052	\$ 412,626	\$ 297,033
District's covered-employee payroll	\$ 99,756	\$ 108,260	\$ 107,760	\$ 99,728	\$ 94,956	\$ 95,160
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	256%	252%	259%	320%	435%	312%

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

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

Notes to Required Supplementary Information

Benefit Changes

None

Changes of Assumptions

The discount rate changed as follows as of June 30:	7.00%	6.28%	5.66%	5.00%	3.98%	4.90%
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Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of the District's Contributions – Public Employees' Retirement System (PERS)
Years Ended December 31, 2020 through 2015

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 17,104	\$ 14,750	\$ 14,125	\$ 12,697	\$ 12,377	\$ 11,376
Contributions in relation to the contractually required contribution	<u>(17,104)</u>	<u>(14,750)</u>	<u>(14,125)</u>	<u>(12,697)</u>	<u>(12,377)</u>	<u>(11,376)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Percent of base wages	7.50%	7.50%	7.34%-7.50%	7.20% - 7.34%	7.06% - 7.20%	6.92%-7.06%
District's covered-employee payroll	\$ 99,756	\$ 108,260	\$ 107,760	\$ 99,728	\$ 94,956	\$ 95,160
Contributions as a percentage of the District's covered-employee payroll	17.15%	13.62%	13.11%	12.73%	13.03%	11.95%

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.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual All Governmental Fund Types
Year Ended December 31, 2020

	Governmental Fund Type		Total Actual Amounts			Budgeted Amounts		Budgetary Variance
	General Fund	Capital Fund	Budgetary Basis	Adjustments Note B	GAAP Basis	Original	Final	
Revenues								
District taxes	\$ 1,458,842	\$ -	\$ 1,458,842	\$ -	\$ 1,458,842	\$ 1,458,842	\$ 1,458,842	\$ -
Supplemental fire services grant	2,631	-	2,631	-	2,631	2,631	2,631	-
Interest income	6,788	23,079	29,867	-	29,867	-	-	29,867
Miscellaneous income	23,981	-	23,981	-	23,981	-	-	23,981
Loss on disposal of fixed assets	6,400	-	6,400	(1,713) (2)	4,687	-	-	6,400
Fund balance utilized - unrestricted	-	-	-	-	-	112,198	112,198	(112,198)
Fund balance utilized - restricted	-	-	-	-	-	-	-	-
Total revenues	1,498,642	23,079	1,521,721	(1,713)	1,520,008	1,573,671	1,573,671	(51,950)
Transfers								
Reserve for future capital outlays	-	100,000	100,000	(100,000) (2)	-	-	-	100,000
Total transfers	-	100,000	100,000	(100,000)	-	-	-	100,000
Total general revenues and transfers	1,498,642	123,079	1,621,721	(101,713)	1,520,008	1,573,671	1,573,671	48,050
Expenditures								
Operating appropriations								
Administration								
Election	2,933	-	2,933	-	2,933	3,000	3,000	67
Office expenses	16,364	-	16,364	-	16,364	31,000	31,000	14,636
Professional services	70,308	-	70,308	-	70,308	80,000	80,000	9,692
Travel expenses	-	-	-	-	-	25,000	25,000	25,000
Dues	1,525	-	1,525	-	1,525	2,000	2,000	475
Communication expenses	23,119	-	23,119	-	23,119	28,500	28,500	5,381
Purchase of assets not included as capital outlays	3,995	-	3,995	(3,995)	-	7,000	7,000	3,005
Contingent	233	-	233	-	233	2,500	2,500	2,267
Total administration	118,477	-	118,477	(3,995)	114,482	179,000	179,000	60,523

See Independent Auditor's Report.
The 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 Balance –
Budget and Actual All Governmental Fund Types
Year Ended December 31, 2020

	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	\$ 51,250	\$ -	\$ 51,250	\$ -	\$ 51,250	\$ 51,250	\$ 51,250	\$ -
Secretarial	5,630	-	5,630	-	5,630	5,630	5,630	-
Treasurer	5,630	-	5,630	-	5,630	5,630	5,630	-
Administrator	47,543	-	47,543	-	47,543	47,543	47,543	-
Maintenance manager	16,988	-	16,988	-	16,988	26,175	26,175	9,187
House officer/drivers	-	-	-	-	-	82,688	82,688	82,688
Training officer	6,227	-	6,227	-	6,227	6,227	6,227	-
IT specialist	14,305	-	14,305	-	14,305	14,305	14,305	-
Total salaries and wages	<u>147,573</u>	<u>-</u>	<u>147,573</u>	<u>-</u>	<u>147,573</u>	<u>239,448</u>	<u>239,448</u>	<u>91,875</u>
Fringe benefits								
LOSAP	40,000	-	40,000	-	40,000	40,000	40,000	-
PERS	16,999	-	16,999	-	16,999	24,109	24,109	7,110
Total fringe benefits	<u>56,999</u>	<u>-</u>	<u>56,999</u>	<u>-</u>	<u>56,999</u>	<u>64,109</u>	<u>64,109</u>	<u>7,110</u>
Contractual								
Fire hydrant service on rentals	24,949	-	24,949	-	24,949	35,000	35,000	10,051
Contracted services provided by volunteer fire companies	46,160	-	46,160	-	46,160	46,160	46,160	-
Total contractual	<u>71,109</u>	<u>-</u>	<u>71,109</u>	<u>-</u>	<u>71,109</u>	<u>81,160</u>	<u>81,160</u>	<u>10,051</u>
Other expenses								
Promotion	362	-	362	-	362	9,000	9,000	8,638
Training	2,494	-	2,494	-	2,494	6,000	6,000	3,506
Insurance	118,760	-	118,760	-	118,760	140,000	140,000	21,240
Membership dues	1,270	-	1,270	-	1,270	2,000	2,000	730
Uniforms	8,171	-	8,171	(7,446) (1)	725	30,000	30,000	21,829
Supplies	3,348	-	3,348	-	3,348	20,000	20,000	16,652

See Independent Auditor's Report.
The 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 Balance –
Budget and Actual All Governmental Fund Types
Year Ended December 31, 2020

	Governmental Fund Type		Total Actual Amounts			Budgeted Amounts		Budgetary Variance
	General Fund	Capital Fund	Budgetary Basis	Adjustments Note B	GAAP Basis	Original	Final	
Travel expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000	\$ 15,000	\$ 15,000
Maintenance	42,987	-	42,987	-	42,987	50,000	50,000	7,013
Repairs	31,642	-	31,642	-	31,642	60,000	60,000	28,358
Other rental charges	138,629	-	138,629	-	138,629	138,629	138,629	-
Contingent expenses	-	-	-	-	-	6,000	6,000	6,000
Professional services	2,707	-	2,707	-	2,707	21,000	21,000	18,293
Computer expenses	24,014	-	24,014	(5,915)	18,099	25,000	25,000	986
Communication equipment	37,613	-	37,613	(37,613) (1)	-	50,000	50,000	12,387
Purchase of assets not included as capital outlays	4,919	-	4,919	(3,769) (1)	1,150	65,000	65,000	60,081
Principal payments serial bonds	140,000	-	140,000	(140,000) (1)	-	140,000	140,000	-
Interest on serial bonds	32,325	(8,651)	23,674	(2,100) (1)	21,574	32,325	32,325	8,651
Pension expense, net	-	-	-	271 (1)	271	-	-	-
Depreciation expense	-	-	-	210,180 (1)	210,180	-	-	-
Total other expenses	<u>589,241</u>	<u>(8,651)</u>	<u>580,590</u>	<u>13,608</u>	<u>594,198</u>	<u>809,954</u>	<u>809,954</u>	<u>229,364</u>
Total operations and maintenance	<u>864,922</u>	<u>(8,651)</u>	<u>856,271</u>	<u>13,608</u>	<u>869,879</u>	<u>1,194,671</u>	<u>1,194,671</u>	<u>338,400</u>
Total operating appropriations	<u>983,399</u>	<u>(8,651)</u>	<u>974,748</u>	<u>9,613</u>	<u>984,361</u>	<u>1,373,671</u>	<u>1,373,671</u>	<u>398,923</u>
Capital appropriations								
Reserve for future capital outlays	<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>
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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>1,183,399</u>	<u>(8,651)</u>	<u>1,174,748</u>	<u>(190,387)</u>	<u>984,361</u>	<u>1,573,671</u>	<u>1,573,671</u>	<u>398,923</u>
Excess of revenues over expenditures	315,243	131,730	446,973	(446,973)	-	\$ -	\$ -	\$ 446,973
Changes in net position	-	-	-	535,647	535,647			
Fund balances/net position, beginning of year	<u>891,693</u>	<u>1,520,779</u>	<u>2,412,472</u>	<u>2,058,262</u> (3)	<u>4,470,734</u>			
Fund balances, end of year	<u>\$ 1,206,936</u>	<u>\$ 1,652,509</u>	<u>\$ 2,859,445</u>	<u>\$ 2,146,936</u>	<u>\$ 5,006,381</u>			

See Independent Auditor's Report.
The 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, 2020

A. BUDGETARY BASIS OF ACCOUNTING

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

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

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

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Supplementary Information
Year Ended December 31, 2020

B. BUDGETARY TO GAAP RECONCILIATION

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

	<u>Change in Fund Balance</u>
(1) Encumbrances for equipment and vehicle purchases are reported as expenses in the year the orders are placed for budgetary purposes. For GAAP purposes, the equipment and vehicle purchases are capitalized in the year received.	\$ 58,738
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.	140,000
Accrued interest is not an expense for budgetary purposes. For GAAP purposes, it is a liability and an expense.	2,100
For GAAP purposes, 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 purposes, pension expense – net is expenditure when made.	(271)
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>(210,180)</u>
Net increase in fund balance – budget to GAAP.	(9,613)
(2) Capital Projects approved in the current year budget are reported as expenses in the year the funds are designated by voter election. For GAAP purposes, expenses are recorded when actual invoices are received	100,000
Loss on disposition of fixed asset is not recorded on the budgetary basis of accounting. For GAAP purposes, disposal loss is recorded as deduction of current year revenues.	(1,713)
(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>2,058,262</u>
	<u>\$ 2,146,936</u>

See Independent Auditor’s Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Notes to Supplementary Information
Year Ended December 31, 2020

C. BUDGET CANCELLATION

Regulations allow the District to cancel unexpended appropriations before year end by resolution. During the year ended December 31, 2020, the District canceled no appropriations resulting in a reservation of fund balance as follows:

Adopted budget	\$ 1,573,671
Expenditures	<u>1,174,748</u>
Favorable variance	398,923
Canceled	<u>-</u>
Fund balance reserve	<u>\$ 398,923</u>

See Independent Auditor's Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of Improvement Authorizations – Capital Fund
Year Ended December 31, 2020

<u>Purpose</u>	<u>Authorized Appropriation</u>		<u>Balance</u>	<u>2020</u>			<u>Balance</u>
	<u>Date</u>	<u>Amount</u>	<u>January 1, 2020</u>	<u>Authorization</u>	<u>Expenditures</u>	<u>Transfers</u>	<u>December 31, 2020</u>
Utility building	12/16/13	\$ 425,000	\$ 46,433	\$ -	\$ (9,625)	\$ -	\$ 36,808
Opticom system	12/16/13	55,000	125,000	-	-	-	125,000
Rescue truck	02/23/15	850,000	1,982	-	-	-	1,982
Parking lot	01/02/20	100,000	-	100,000	-	-	100,000
			<u>\$ 173,415</u>	<u>\$ 100,000</u>	<u>\$ (9,625)</u>	<u>\$ -</u>	<u>\$ 263,790</u>

See Independent Auditor's Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of Improvement Authorizations – Capital Fund
Year Ended December 31, 2019

Purpose	Authorized Appropriation		Balance January 1, 2019	2019			Balance December 31, 2019
	Date	Amount		Authorization	Expenditures	Transfers	
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	1,982	-	-	-	1,982
			<u>\$ 173,415</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,415</u>

See Independent Auditor's 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, 2020

<u>Purpose</u>	<u>Balance January 1, 2020</u>	<u>2020 Authorizations</u>	<u>Paid by 2020 Budget Appropriation</u>	<u>2020 Bond Issued</u>	<u>Balance December 31, 2020</u>
Unfunded					
Rescue truck	\$ 75,000	\$ -	\$ -	\$ -	\$ 75,000
Funded					
2010 serial bond - pierce quantum pumper	70,000	-	(70,000)	-	-
2017 serial bond - rescue truck	<u>650,000</u>	<u>-</u>	<u>(70,000)</u>	<u>-</u>	<u>580,000</u>
	<u>\$ 795,000</u>	<u>\$ -</u>	<u>\$ (140,000)</u>	<u>\$ -</u>	<u>\$ 655,000</u>

See Independent Auditor's 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, 2019

<u>Purpose</u>	<u>Balance January 1, 2019</u>	<u>2019 Authorizations</u>	<u>Paid by 2019 Budget Appropriation</u>	<u>2019 Bond Issued</u>	<u>Balance December 31, 2019</u>
Unfunded					
Rescue truck	\$ 75,000	\$ -	\$ -	\$ -	\$ 75,000
Funded					
2010 serial bond - pierce quantum pumper	140,000	-	(70,000)	-	70,000
2017 serial bond - rescue truck	<u>715,000</u>	<u>-</u>	<u>(65,000)</u>	<u>-</u>	<u>650,000</u>
	<u>\$ 930,000</u>	<u>\$ -</u>	<u>\$ (135,000)</u>	<u>\$ -</u>	<u>\$ 795,000</u>

See Independent Auditor's Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Statistical Information
Years Ended December 31, 2020 and 2019

Property Tax Levies

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

<u>Fiscal Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
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
2018	2,703,435,000	1,419,262	0.053
2019	2,813,123,300	1,452,333	0.052
2020	2,842,043,800	1,458,842	0.052

General Fund – Fund Balance before Current Year Appropriation Reserves

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in</u> <u>Subsequent Budget</u>
December 31, 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
December 31, 2018	455,576	101,067
December 31, 2019	544,392	112,198
December 31, 2020	808,013	94,455

See Independent Auditor's Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Statistical Information
Years Ended December 31, 2020 and 2019

Capital Fund – Fund Balance

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in</u> <u>Subsequent Budget</u>
December 31, 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	-
December 31, 2018	1,197,028	100,000
December 31, 2019	1,520,779	-
December 31, 2020	1,652,509	-

See Independent Auditor's Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Roster of Officials
Years Ended December 31, 2020 and 2019

<u>Board of Commissioners</u>	<u>Position</u>	<u>Amount of Surety Bond</u>	<u>Term Expiration</u>
Richard W. Hogan	Chairperson	50,000*	2023
Carol Flannery	Commissioner	50,000*	2022
Timothy D. Kirkland	Treasurer	50,000*	2024
Joseph F. Spevak	Secretary	50,000*	2024
Richard Primiano	Assistant Secretary	50,000*	2022

Other Officials

Joseph Youssouf	Board Attorney
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*Blanket Bond Coverage

Surety Company

First Responder Joint Insurance Fund

See Independent Auditor's Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Comments and Recommendations
Years Ended December 31, 2020 and 2019

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, 2020 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.

Miscellaneous

An exit conference was held in accordance with the generally accepted governmental auditing standards in the United States of America.

See Independent Auditor's Report.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Comments and Recommendations
Years Ended December 31, 2020 and 2019

Acknowledgment

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

Recommendations

None

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,

August 27, 2021

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of Findings and Recommendations
Years Ended December 31, 2020 and 2019

Schedule of Financial Statement Findings

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

Material Weaknesses

None reported.

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of Prior Year Findings and Recommendations
Years Ended December 31, 2020 and 2019

Schedule of Prior Year Financial Statement Findings

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

Material Weaknesses

None reported.