

NOVEMBER 2 , 2016

The regular scheduled meeting was called to order by Chairman Hogan at 8pm & Mr. Youssef led all present with the salute to the Flag. Mr. Youssef read the Sunshine Statement – Notice of the time, date, location & agenda of this meeting known was duly published at least 48 hrs. in advance of this meeting held by posting in official newspaper of this District. Mr. Spevak was asked to take Roll Call- Primiano , Flannery , Kirkland , Hogan, & Spevak . Sign in sheet was on table for attendance. Others in attendance were: Petrics, Youssef, Larson., Marini, Keaney, Sarti / 12-66, & Sorscher.

Chairman Hogan asked all Fire Comm. If they had enough time to review minutes of Oct. 5 ,2016. YES. Mr. Kirkland made a motion to accept minutes of Oct. 5,2016 & 2nd by Mr. Flannery, approved by all.

CHIEF'S REPORT-

Sta. 26-2 Chief Keaney reported responding 40 fire calls w/ 65.47 manhrs

Upcoming Events: Reported by Chief Keaney

1. Nov. 7th Work Detail
2. Nov. 14thFire Co. mtg at 8pm
3. Nov. 21stDrill
4. Nov. 28thDrill
5. Dec. 5thWork Detail
6. Dec. 7thFire Comm mtg. at 8pm
7. Dec. 12thFire Co. mtg. at 8pm

Following items reported by Chief Keaney & his Line Officers

1. Radio's to be ordered , new head gear New Rescue Truck
2. Some new equipment came in.
3. New gear racks were being assembled on Work Detail nite. Certain 3/8 " bolts were missing . Chief Keaney contacted the company.
4. Chief Keaney would like to purchase (2) imaging camera , cost \$ 4,300.00 ea. with a trade ins.
5. New Truck /Pierce – Kirkland, Keaney & Spevak went to Appleton, Wisconsin to Pierce plant on Oct. 11,12 & 13 ,2016 to review Spec's , finalize to start truck building. Rescue/ pumper should be Completed by April 2017.

Sta.12-1.....Chief Sarti reported responding to 5 fire calls w/ 12.13 manhrs. In Sta 26-2 area & 2 fire calls w/4.26 manhrs. In PRA in month Of Sept. Responded to 11 fire calls w/ 25.28 manhrs.in Sta.26-2 Area & 6 fire calls w/ 18.20 manhrs. In PRA in month of Oct. All Equipment up & in Service. Truck 12-87 was received ,not in Service yet.

TRUCK REPORT- Sorscher

1. 26-2-78 Repair roll out tool shelf /new ball chain frt discharge... In House
 2. 26-2-86.....Emergency Road Service/ install new L/Frt tire Edwards Tire
 3. 26-2-96.....Install (2) new tires mounted on front of Truck..... “ ”
 4. 26-2-98.....New lettering put onto Truck Harrys Sign
 5. ATV #1.....Annual chassis Service , lubed, adj, carb., fuel fitting... Pantano's
- Move all equipment from tool crib to new garage. 26-2-98 at East Coast Lighting, For Light bar & siren install. All vehicles are in Service at this time.

PRES> of the FIRE CO.- Belote

Not Available for meeting/ no report given

INSURANCE- Marini/Soden

Mr. Soden will sent 2017 Insurance estimate

ADMINISTRATOR'S REPORT- Marini

1. Everyone good on cellphones.....Kirkland needs new one.
- 2.Air & Gas refill station ,completed
3. Problems with Cooper generator unit
4. Damage to 26-2-67 vehicle, accident report needed.

LEGAL- Youssouf

1. Raceway /gas station –corner rt. 33 & Sweetman's Lane. Owners & WMUA . Sewer Easement paper must be voted on by the membership of the Manalapan Twp. Fire co. #1 . Signed by the President & Secretary . Marini to handle procedures, then Adopt a Resolution.

AUDITOR- Petrics

1. Update Quick Books – Kirkland gave Petrics C & C forms . Hogan will check his E-Mail.
2. Workshop Budget 2017 mtg. , scheduled for Thursday Nov. 17,2016 . 7:30pm

BOOKKEEPER- Larson

1. State DCA Voting 2-9 pm or later.
2. Inviting comments
3. Local Finance Board . packetLFN 2016-14
4. 4th quarter payment from Twp/ of Manalapan \$ 339,825.00

IT OFFICER- Hall

Report was given to Mr. Spevak

OLD BUSINESS

Mayor's Charity Ball on Nov.12 ,2016 , Fire Comm buying table of 10.

NEW BUSINESS

1. Engineer / Sorscher. Needs cabinets , shelving & basic tools / State Contract Total cost - \$3,200.00. Mr. Flannery made a motion to purchase items needed & 2nd by Mr. Kirkland, approved by all.
2. Purchase (2) Imaging camera's at \$4,300.00 ea. X2= \$8,600.00. Mr. Flannery made a motion to purchase (2) Imaging Cameras & 2nd by Mr. Kirkland ,approved by all.
3. Chairman Hogan brought up about changing the 2 tone color of New Rescue/Pumper. Roll Call Vote. Primiano- White / lime
Spevak- White / lime
Flannery- Black/ lime
Kirkland - Black / lime

There was a tie on the color.... Chairman Hogan was tie breaker.... Black / lime. Change of color of 2017 Rescue /Pumper was made . Black- Top & Lime – bottom

Mr. Flannery made a motion to OPEN PUBLIC PORTION at 9:10pm & 2nd by Mr. Primiano, approved by all. NO BUSINESS Mr. Flannery made a motion to CLOSE PUBLIC PORTION at 9:11pm & 2nd by Mr. Primiano, approved by all.

TREASURER'S REPORT- Kirkland

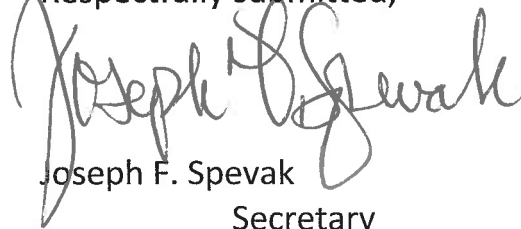
Mr. Primiano made a motion to pay bills in the amount of \$ 53,240.82 & 2nd by Mr. Flannery, approved by all.

GOOD & WELFARE

There will be a Workshop mtg on Nov. 17,2016 at 7:30pm

Since there was no further business Mr. Flannery made a motion for adjournment at 9:20pm & 2nd by Mr. Primiano, approved by all.

Respectfully submitted,

A handwritten signature in cursive script that reads "Joseph F. Spevak". The signature is written in black ink and is positioned above the printed name and title.

Joseph F. Spevak

Secretary

Month End Review

- Met with Leslie from Farmingdale FAS to produce their IDs... we have their information but there is an issue with the ID machine jamming after it accepts a new card. I have a call into J. Obrien Co who serviced the machine as a Fargo dealer the last time we had an issue, and I am waiting for someone to call me back to see if they can troubleshoot the problem over the phone. If not, we will need to have them service it.
- Door system for the new building – We are still waiting on one more quote from CSS, however, we do currently have 3 quotes.
 - If possible, we should look into / be able to do the system in-house for a substantial savings.
- Issued the Chief a replacement laptop we had on-hand.
- There was a power issue that affected the firewall we had in place. A replacement was purchased.

Respectfully submitted,



Peter Hall
Information Technology Officer

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

Bill List
Monthly Meeting November 2, 2016

ADP	9,089.19
Manalapan Mayors Charity Ball	1,500.00
Cablevision	100.59
International Association of Fire Chiefs	234.00
Englishtown Automotive, Inc.	253.96
Document Solutions Leasing	132.82
George Kline Sales	3,952.31
GearGrid Corporation	2,903.00
Reed & Perrine Sales, Inc.	86.52
Gordons Corner Water Co.	2,003.76
Advantage Fire & Security, Inc.	336.00
Verizon	157.56
Edwards Tire Co.	1,927.72
Fire & Safety Services, LTD	7,960.07
FireCompanies.com	239.97
Generation Consultants, LLC	150.00
Colts Neck Nursery	78.00
Taylor Mills Family Medical, P.C.	1,685.00
NetLink	900.00
American Cloud Services	250.00
NetLink Web Services, LLC	199.00
Allied Oil, LLC	253.54
Pantano Nursery & Landscape Supply	111.82
Verizon Wireless	796.35
Timothy Kirkland	7,929.22
Richard Hogan	2,998.42
Adam Keaney	88.61
Patrick Flannery	1,628.50
John Marini	2,197.89

LFN 2016-14

September 23, 2016

Contact Information

Director's Office

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Distribution

**Fire District Officials
Auditors**

Local Finance Notice

Chris Christie
Governor

Kim Guadagno
Lt. Governor

Charles A. Richman
Commissioner

Timothy J. Cunningham
Director

2017 Fire District Budget Submission

Fire District budget documents for calendar year 2017 are now available on the [Division of Local Government Services website](#). Users can view and download the following items:

- Fire Budget Excel Workbook (financial pages and informational schedules)
- Fire Budget Package Word Document (certifications, resolutions, informational questionnaires)
- 2017 Fire Budget Instructions
- 2017 Fire District Budget Calendar

The Fire Budget Package is comprised of a Word Document and Excel Workbook and includes all related forms and numbered pages that make up the complete budget document. Please be sure to download both files. All pages and schedules are numbered and must be assembled in the order detailed in the 2017 Fire Budget Instructions available on the Division's website.

Each fire district is required to submit its budget on the forms provided by the Division. **Any fire district that submits a budget for calendar year 2017 on an outdated form will be required to re-submit the budget on the correct form. Fire district budgets for calendar year 2017 will NOT be approved by the Division if they are prepared on an outdated form.**

GovConnect

The Division requires all fire districts to have at least one official enrolled in the internet-based GovConnect network (through the State's "My New Jersey" portal) to receive Division and other state government information via e-mail on a timely basis. District leadership should make sure an appropriate individual is enrolled. District leadership can contact the GovConnect Help Desk at egg@dca.state.nj.us to register for GovConnect if not already registered.

Internet Website/Webpage

Effective February 1, 2013, N.J.S.A. 40A:14-70.2 requires all fire districts to maintain an internet website or a webpage on their municipality's website that contains certain information as described in the statute. Please review the statute to determine that all required content is displayed on the fire district's website or webpage. An authorized officer of the fire district must certify on the budget form that the fire district's website or webpage complies with the minimum statutory requirements of N.J.S.A. 40A:14-70.2. **No fire district budget will be approved unless its website is fully compliant with N.J.S.A. 40A:14-70.2.**

Budget Information

Standardized budget forms provide an efficient and successful budget process. The presentation ensures that the ensuing year's proposed operations are fully disclosed. It is imperative that each fire district prepare its fiscal year budget pursuant to N.J.A.C. 5:31-2.4. All preparers should make a detailed review of the forms and instructions before attempting to complete them. In the Excel workbook, input is only permitted in yellow highlighted cells. The data entered into these cells will carry through to the remainder of the Excel workbook. The workbook is protected to prevent entry of data and manipulation of formulas aside from the yellow highlighted cells. **Do not attempt to enter any data into cells that are not highlighted, attempt to change any formulas in the workbook, or attempt to override the protection in the workbook. This will interfere with the function of the workbook and will result in an incomplete and/or incorrectly prepared budget.**

The budget submission date is established pursuant to statute and has been codified in N.J.A.C. 5:31-2.4 requiring each fire district to transmit two certified copies of the introduced annual budget to the Director of the Division of Local Government Services at least sixty (60) days prior to the annual election to be held on February 18, 2017. **Due to the high volume of fire district budgets, the Division strongly recommends that fire districts submit their introduced budgets as early as possible rather than waiting until the statutory due date.**

No fire district budget shall be finally adopted until the Director approves same. The budget shall be adopted no later than twenty-five (25) days prior to the annual election to be held on February 18, 2017. Two certified copies of the budget as adopted, including Pages C-7 and C-8, must be transmitted to the Director within seven (7) days after adoption. In addition, each fire district must submit a pdf copy of the complete adopted budget package to authoritiesunit@dca.nj.gov with the name of the authority in the subject line.

Property Tax Levy Cap Summary

The passage of P.L. 2010, c. 44 made substantial amendments to the original levy cap law that took effect in 2008. There are several items of note that require fire district attention:

1. The levy cap was decreased from an annual increase of four percent to two percent and the allowable exclusions modified (see below).

2. The authority to request levy cap waivers from the Local Finance Board was eliminated. Local cap referendums are the only method for exceeding the cap beyond the formula.
3. Creation of "Cap Banking" started with CY 2011:
 - a) "banks" the amount of the difference between the maximum allowable amount to be raised by taxation and the actual amount to be raised by taxation.
 - b) permits a district that has kept its budget under cap to add to its adjusted tax levy in any one of the three succeeding years
 - c) Levy cap bank certifications are available for the Districts to download from the Document Library section of the GovConnect Portal
4. The public referendum question to increase the amount to be raised by taxation by more than the allowable adjusted tax levy requires an affirmative vote in excess of 50% of those voting on the question at the election.
5. Capital appropriations (Page F-5) require a "Special Meeting" in 2016 to be eligible for appropriation in the calendar year 2017 Proposed Budget. If these capital appropriations are being financed there must be a referendum vote in the form of a "Special Election" or a question on the "General Election" ballot, along with approval by the Local Finance Board. A "Special Election" shall be held in the same manner as the "General Election."

Forms are available on the Division's website to certify the results of any "Special Meeting" as well as a form to certify the results of any elections.

More detailed information about the levy cap is included as Appendices to this Notice. Appendix A includes details of the cap calculation formula and levy cap referendum procedures; Appendix B includes tables detailing levy cap exclusions; and Appendix C is a copy of the budget law.

Property Tax Levy Cap Exclusions

The following items are exclusions from the levy cap pursuant to N.J.S.A. 40A:4-45.45(b):

- a. Increases in appropriations for capital improvements are exclusions from the levy cap, regardless of how they are funded. This includes year-to-year increases in debt service, capital leases, down payments, and Reserve for Future Capital Outlay. The amount of the increase is a permanent exclusion.
- b. Increases in pension contributions and accrued liability for pension contributions in excess of 2%.
- c. Increases in health care costs in excess of 2% of the prior year cost, but not in excess of the average percentage increase of the State Health Benefits Program (SHBP) as annually determined by the Division of Pension and Benefits. For 2017, the SHBP increase percent is 2.4%.
- d. Extraordinary costs incurred by a local unit directly related to an emergency declared by the Governor.

Other Budget Related Requirements

1. *Budget at Introduction:* The introduced budget must be “cap compliant” and balanced upon introduction. This means that the budget must be at or under the levy cap and properly reflect any proposed levy cap referendum. All required budget documentation must be consistent with the introduced budget.
2. *Levy Cap Referendums:* The budget message on Page N-1 must indicate if the district plans to include a levy cap increase question as part of its budget referendum. An introduced budget requiring referendum questions must include separate line item appropriations that will be funded by the tax levy increase proposed by the referendum.

Transfers to or from referendum line item appropriations are not permitted at any time. This means that referendum line items are only expended after the base line item amount is depleted. In addition, referendum funds that are unexpended at the end of the fiscal year must be cancelled at year end, unless reserves are justified to the Division. The Division will order the cancellations if balances are found during review of the following year’s budget, and the levy cap will be adjusted accordingly.

Treatment of Unexpended Appropriations: Any cancelled or unexpended appropriations for exclusions or referendums will be deducted from the adjusted levy based on the audit report or as noted in the budget message.

3. *Grants:* When grants have been awarded prior to budget introduction, include the anticipated grant revenue in the budget along with the corresponding grant appropriation. Grants awarded subsequent to budget introduction will be processed as a budget amendment either at the public hearing or at any time after final adoption as allowed by N.J.S.A. 40A:14-78.5(e).
4. *Capital Appropriations:* Capital appropriations (Page F-5) require a “Special Meeting” in 2016 to be eligible for appropriation in the calendar year 2017 Proposed Budget. If these capital appropriations are being financed there must be a referendum vote in the form of a “Special Election” or a question on the “General Election” ballot, along with approval by the Local Finance Board. A “Special Election” shall be held in the same manner as the “General Election. Forms are available on our web page to certify the results of any “Special Meeting” as well as a form to certify the results of any elections.

Capital appropriations listed on Page F-5 require

The date of the voter election

The percentage of affirmative votes for the capital items

The date of Local Finance Board approval (if financing is necessary)

Restricted, unrestricted and/or grant revenue utilized for capital purposes will be considered in the calculation of the Levy Cap. The District must include in the budget message if they plan to use unrestricted or grant revenue to purchase capital items.

5. *Increase in Certain Shared Services Cost - Levy Cap Exclusions:* The Division has determined that recipients of shared services may exclude from their levy cap calculation increases passed on by the provider for the general exclusions described above. In these cases, the provider must certify to their recipients the specific increases in service charges in their budget, the amount passed along to their recipients who must budget the increases. Certifications of shared service exclusions will be part of the recipient’s budget submission and reflected on Page F-11. The use of this exception is optional; providers and recipients are not obligated to account for the exceptions if they choose not to do so.

6. *Service Transfers:* A service transfer occurs when one local unit transfers the responsibility and the cost of funding a service to another local unit or to a subordinate agency of the local unit, such as a utility or authority. In these cases, the transferring local unit no longer has the responsibility of funding the cost of the service.

In these cases, there will be a levy cap base adjustment for both government entities, prorated as necessary for the period of time the transfer is in effect. For the transferring local unit, the adjustment will be based on the prior year's expenditure less offsetting revenues. For the providing local unit, the adjustment will be the current year appropriation, less offsetting revenues the provider will receive. Shared services are not considered transferred services and will not result in levy cap base adjustments.

Service transfers and the impact on the levy cap must also be described in the local unit's budget message.

7. *Release of Restricted Fund Balance Referendum Resolution:* Restricted Fund Balance is the accumulation of funds that are reserved for use as capital improvements or as down payments for fixed asset acquisition. The amount is shown on Page F-9. Restricted Fund Balance shall be used exclusively for its intended purpose.

For certain unique circumstances, a Fire District could have a Restricted Reserve where the intended purpose is no longer essential. If so, a District that previously appropriated funds for restricted purposes, but now finds it advisable and necessary to release these funds for other unrestricted purposes may choose to release those funds from restriction. In that event, a public referendum is required.

This referendum question will ask the voters to approve the release of Restricted Fund Balance as General Unrestricted Revenue and will further request that those funds be appropriated in the proposed budget as a way to provide and maintain essential services for the District. The District must identify the appropriations for which this amount will be used. The vote will take place in the same manner as a Levy Cap Referendum (see Appendix A for guidelines).

8. *Election Results:* Election Results, along with a copy of the ballot, are submitted to the Director within 5 days after the annual election in February. Failure to submit the election results and sample ballot will delay the certification of the tax levy to the municipal assessor. **When a discrepancy exists between the levy in the adopted budget and the levy approved by the voters on the ballot, the Division will certify the lesser amount.**
9. *Audit Report:* The December 31, 2015 audit report was due to the Division by May 5, 2016. A group affidavit accepting the audit was required at the first regular scheduled meeting after the audit was received and a synopsis of the audit was to be published thereafter. In addition, if the audit report includes findings, a corrective action plan was required to be submitted to the Division within 45 days after receipt of the audit. Please verify that all of these documents related to the audit were filed with the Division before submitting the 2017 Proposed Budget to the Division. Budgets cannot be examined and approved without these documents. Please also see Local Finance Notice 2014-13 regarding annual audit requirements for fire districts.
10. *Fire District Budget Amendments:* N.J.S.A. 40A:14-78.5 establishes a process for fire districts, similar to that of municipalities and counties, to seek Director approval to insert special items of revenue into their budgets after the budget is adopted. While the new revenue item may

have been made available by any private or public funding source, the amount of the corresponding appropriation cannot exceed the amount of revenue received. See Local Finance Notice 2012-11 for a detailed explanation of this process.

If you have difficulty in downloading the material from the Division's website, contact the Division at (609) 633-6238. If you need assistance completing the forms, the Bureau of Authority Regulation is available to assist you and may be reached at (609) 633-6238 or by e-mail at authoritiesunit@dca.nj.gov.

Approved: Timothy J. Cunningham, Director

Document	Internet Address
Fire District Budget Forms	http://www.nj.gov/dca/divisions/dlgs/programs/au_budgets.html
Local Finance Notice 2011-36	http://www.nj.gov/dca/divisions/dlgs/lfns/11/2011-36.doc
Local Finance Notice 2012-11	http://www.nj.gov/dca/divisions/dlgs/lfns/12/2012-11.doc
Local Finance Notice 2013-7	http://www.nj.gov/dca/divisions/dlgs/lfns/13/2013-7.pdf
Local Finance Notice 2014-13	http://www.nj.gov/dca/divisions/dlgs/lfns/14/2014-13.pdf

APPENDIX A

1. Fire District Property Tax Levy Cap

Levy Cap Formula

The law (N.J.S.A. 40A:4-45.44 through 45.47) establishes a formula that limits increases to the amount to be raised by taxation (tax levy) in all local units that raise property taxes (municipal, county and fire districts).

The core of the formula is a two percent increase to the previous year's tax levy which is then subject to exceptions. The formula to calculate the levy cap is as follows:

Base Formula

- Starting with the prior year Fire District Tax Levy:
- **Deduct** any one-year exclusions:
- **Add/deduct** the net cost increase or decrease if service delivery is transferred from one government agency to another. Please consult with the Division for additional guidance if this provision will be used.
- **Add** two percent (2%) of the sum of the previous steps
- **Add** to it the district tax value of added assessments as certified by the Tax Assessor based on the October 1 added assessment tax billing. The Municipal Tax Assessor will prepare a certification based on the boundary of each fire district in a municipality. The Division of Taxation will provide Tax Assessors direction on preparing and submitted this form.
- **Add General Exclusions:** There are several general exclusions: increases in debt service and capital expenditures; weather and other "declared" emergencies; pension contributions in excess of two percent, and health benefit cost increases in excess of 2% but limited by the increase in State Health Benefit rate increases.

While some levy cap exclusions are treated as permanent add-ons, others will only be exclusions for the life of the specific appropriation. Appendix B following lists each exclusion, its explanation, and treatment.

2. Levy Cap Referendum Questions

General Information

A fire district may exceed the two percent property tax levy cap by a referendum question at the annual budget referendum asking the voters to approve an amount that will be added to the tax levy. The content of the referendum becomes an immediate addition to the district's property tax levy and is part of the base amount for the following year.

The levy cap referendum becomes part of the annual budget referendum and is subject to procedures set forth in the budget referendum law, N.J.S.A. 40A:14-72 & 78.5. Approval by more than 50% of the voters is required.

To place a property tax levy cap referendum on the budget:

1. The introduced and approved budget submitted to the Division of Local Government Services must include and identify the specific amounts and budget line items for which funds approved at referendum will be used.
2. A budget amendment may include items to be part of a referendum question.
3. The adopted budget contains all amounts to be put out for public vote.
4. At adoption, the Board of Commissioners must pass a resolution authorizing the referendum question. The resolution must be in the form of the model resolution included in this Notice.
5. The ballot must include the referendum question and explanatory statement in the form of the samples included in this Notice.

Public Question (N.J.S.A. 40A:4-45.46(b))

The public question for a cap levy referendum shall reference only the "Amount Proposed for Cap Levy Referendum that is part of the calculation of the Maximum Allowable Amount to be Raised by Taxation as shown on the Levy Cap Summary (Page F-10) that is part of the Fire District Budget package. The Public Question and Interpretative Statement to be placed on the ballot shall be as follows:

Public Question

"Shall the Board of Commissioners of (*name and number of fire district*) be authorized to adopt the (*insert year*) Fire District Budget, notwithstanding that its property tax levy will exceed the Property Tax Levy Cap Maximum Allowable Amount to be Raised by Taxation increase limitation by (*insert percent*) or (*insert dollar amount*) as provided by N.J.S.A. 40A:4-45.46b?

A "yes" vote will authorize the Board of Commissioners of the fire district to adopt the budget that was introduced and published. N.J.S.A. 40A:4-45.2 provides a property tax levy cap of two percent (2%) on the amount of increase. This amount can be exceeded when approved by referendum of the voters.

The following are those line items to which the increases apply:

(*List line items*)

...

If referendum is approved (a "yes" vote) by at least 50 percent of the voters casting a vote at the referendum, the budget will be deemed adopted.

A "no" vote means that the District Board of Commissioners must adopt the budget within the increase limits set forth by the law.

(Insert here "any other such relevant information as the Board may wish to include" in the Statement.)"

Conduct of Election

The Director of the Division of Local Government Services has determined pursuant to N.J.S.A. 40A:45-47 that the polling places and election shall be handled as part of the annual fire district election pursuant to N.J.S.A. 40A:14-72 et seq.

Enabling Resolution

The referendum must be authorized by Board of Commissioners resolution. The resolution must include the following elements:

- A declaration of the amount of the increase above the maximum allowable amount to be raised by taxation otherwise permitted and the percentage increase over the maximum allowable amount the amount represents.
- The appropriation line items and the amount to be appropriated for each appropriation item if the voters approve the question and if the voters disapprove the question
- The language of the ballot question
- The interpretative statement for the ballot question
- Any other information the Board of Commissioners chooses to include

If planned at the time of introduction, the resolution must be approved by a majority of the full membership of the Board of Commissioners prior to introduction of the budget. A certified copy of the resolution is to be filed with the Division as part of the introduced budget. If the budget is amended prior to adoption and a referendum created or amended, the resolution must be adopted or amended as appropriate and filed with the Division.

The Attorney General has provided the Division advice with regard to the amount to be appropriated in context of the amounts in the resolution if the voters disapprove the question. The advice concludes that the information set forth in good faith in a resolution is designed to more fully inform the voters as to the question before them and not to limit the discretion of the Board of Commissioners in finally formulating its budget if the referendum is rejected. This provides the Board of Commissioners the flexibility to amend the budget to meet current needs if the referendum is rejected.

Therefore the resolution must reflect a good faith effort on the part of the Board of Commissioners on its estimate of where the added spending will take place.

The model resolution is on the Division's website.

APPENDIX B – 2010 LEVY CAP EXCLUSIONS

Statutory Exclusion	Application and Interpretation Notes
Capital expenditure increases	<ul style="list-style-type: none"> • Improvements financed under Local Bond Law provisions meeting the definition in the law – non-operating expenses with useful life of more than 5 years • All appropriations in the capital improvement section of the budget, including, but not limited to: <ul style="list-style-type: none"> ○ Capital leases, regardless of when entered into. ○ Capital cash appropriation in budget but excluding any appropriations that are offset with grant revenues ○ Deferred charges to future taxation unfunded (where an improvement is authorized and funding is provided from a budget appropriation in lieu of issuing debt service) • Increases in capital expenditure costs that are part of a shared service agreement; pursuant to certifications by service provider. • Capital expenditure exclusions will be treated as permanent exclusions
Debt service increases	<ul style="list-style-type: none"> • All appropriations in the debt service section of the budget, including, but not limited to: <ul style="list-style-type: none"> ○ General Obligation, full faith and credit debt ○ Refunding bonds, regardless of purpose ○ Bond Anticipation Notes ○ Interest on Tax Anticipation Notes • Local Budget Law protected notes (N.J.S.A. 40A:4-75) <ul style="list-style-type: none"> ○ Emergency Notes as authorized under the Local Budget Law ○ Special Emergency Notes • Debt service emergencies and down-payment emergencies • Increases in debt service that is part of a shared service agreement; pursuant to certifications by service provider. • Increases in debt service are treated as permanent exclusions

Statutory Exclusion	Application and Interpretation Notes
	<p>(no reduction of base when debt is reduced, i.e., claw-back).</p> <ul style="list-style-type: none"> • Any amounts that may be required to be paid to an authority, pursuant to a service agreement entered into between the authority and the fire district, and that is necessary for the authority to meet its debt service obligations (See <u>Local Finance Notice 2011-36</u> for further details). • Local Budget Law protected notes will only be excluded for the time the emergency is funded.
<p>Extraordinary costs relating to a declared emergency</p>	<ul style="list-style-type: none"> • <u>N.J.A.C. 5:31-2.10</u> defines “extraordinary costs” as expenditures incurred for the immediate preparation, response, recovery, and restoration of public services due to extreme weather conditions or other catastrophic events that are the subject of a gubernatorial emergency declaration, and only for that portion of costs exceeding the cost of providing services under non-emergency conditions. • Such funds can be treated as one-time (non-permanent) property tax levy cap exclusions upon submission and review of certifications describing the expenditures to the Director of the Division of Local Government Services, and may be subject to adjustment to account for the receipt of any State or Federal reimbursements.
<p>Pensions and Health Benefits</p>	<ul style="list-style-type: none"> • All increases in PERS, PFRS, local system pension contributions, accrued liability, early retirement, prepayment of deferred pension obligations, and LOSAP appropriations over 2% are treated as permanent exclusions. Payments of deferred pension obligations are exclusions only for the life of the repayment; all other increases are permanent exclusions. • All increases in health insurance coverage over 2% and below the SHBP average increase are exclusions. • Increases in costs of health insurance waivers are not treated as exclusions. Beginning with FY 2011, costs related to health insurance waivers must be reflected as a separate line item in the budget. • Optionally, increases in pension and health benefits that are part of increased costs to a shared service agreement; pursuant to certifications by service provider.

APPENDIX C

2010 Local Unit Levy Cap Law

P.L. 2007, Chapter 62, as amended by P.L. 2008, Chapter 6 and as amended by P.L.2010, Chapter 44 (S-29 R1), approved July 13, 2010

(Additions from P.L. 2010, c.44 are underlined; deletions not shown)

40A:4-45.44 Definitions relative to property tax levy cap concerning local units.

For the purposes of sections 9 through 13 of P.L. 2007, c.62 (N.J.S.A. 40A:4-45.44 through 40A:4-45.47 and 40A:4-45.3e):

"Adjusted tax levy" means an amount not greater than the amount to be raised by taxation of the previous fiscal year, less any waivers from a prior fiscal year required to be deducted by the Local Finance Board pursuant to section 11 of P.L. 2007, c.62 (N.J.S.A. 40A:4-45.46), that result multiplied by 1.02, to which the sum of exclusions defined in subsection b. of section 10 of P.L. 2007, c.62 (N.J.S.A. 40A:4-45.45) shall be added.

"Amount to be raised by taxation" means the property tax levy set in the annual budget of a local unit.

"Local unit" means a municipality, county, fire district, or solid waste collection district, but shall not include a municipality that had a municipal purposes tax rate of \$0.10 or less per \$100 for the previous tax year.

"New ratables" means the product of the taxable value of any new construction or improvements times the tax rate of a local unit for its previous tax year.

(cf: P.L. 2007, c.62, s.9)

40A:4-45.45 Cap on calculation of adjusted tax levy by local unit; exclusions.

10. a. (1) In the preparation of its budget the amount to be raised by taxation by a local unit shall not exceed, except as provided in paragraph (2) of this subsection, the sum of new ratables, the adjusted tax levy, and the total of waivers approved pursuant to section 11 of P.L. 2007, c.62 (N.J.S.A. 40A:4-45.46); provided, however, that in the case of a county, the amount to be raised by

taxation shall not exceed the amount permitted by section 4 of P.L. 1976, c.68 (N.J.S.A. 40A:4-45.4).

(2) A local unit that has not been granted approval for a waiver pursuant to section 11 of P.L. 2007, c.62 (N.J.S.A. 40A:4-45.46), may add to its adjusted tax levy in any one of the next three succeeding years, the amount of the difference between the maximum allowable amount to be raised by taxation or county purposes tax, as applicable, for the current local budget year pursuant to paragraph (1) of this subsection and the actual amount to be raised by taxation or county purposes tax, as applicable, for the current local budget year.

b. The following exclusions shall be added to the calculation of the adjusted tax levy:

increases in amounts required to be raised by taxation for capital expenditures, including debt service as defined by law;

increases in pension contributions and accrued liability for pension contributions in excess of 2.0%;

increases in health care costs equal to that portion of the actual increase in total health care costs for the budget year that is in excess of 2.0% of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the State Health Benefits Program, P.L.1961, c.49 (C.52:14-17.25 et seq.), as annually determined by the Division of Pensions and Benefits in the Department of the Treasury; and

extraordinary costs incurred by a local unit directly related to a declared emergency, as defined by regulation promulgated by the Commissioner of the Department of Community Affairs, in consultation with the Commissioner of Education, as appropriate.

If there are no exclusions, then the amount of the difference shall reduce the adjusted tax levy by that amount. Any cancelled or unexpended appropriation for any exclusion pursuant to this subsection or waiver pursuant to section 11 of P.L. 2007, c.62 (N.J.S.A. 40A:4-45.46), also shall be deducted from the sum of the exclusions listed in paragraphs (1) through (6) or directly reduce

(cf: P.L.2009, c.19, s.4)

40A:4-45.45a Amounts raised to pay recycling tax treated as exclusion for calculation of adjusted tax levy.

4. Notwithstanding the provisions of section 10 of P.L. 2007, c.62 (N.J.S.A. 40A:4-45.45) to the contrary, amounts required to be raised to pay the recycling tax imposed by section 4 of P.L. 2007, c.311 (N.J.S.A. 13:1E-96.5) shall be treated as an exclusion that shall be added to the calculation of the adjusted tax levy.

L.2008, c.6, s.4.

40A:4-45.46 Public question submitted for approval to raise taxes above the limitation allowable.

11 a. (Deleted by amendment, P.L.2009, c.44)

b. (1) The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory to increase the amount to be raised by taxation by more than the allowable adjusted tax levy. Approval shall be by an affirmative vote of in excess of 50 percent of the people voting on the question at the election. The local unit budget proposing the increase shall be introduced and approved in the manner otherwise provided for budgets of that local unit at least 20 days prior to the date on which the referendum is to be held, and shall be published in the manner otherwise provided for budgets of the local

unit at least 12 days prior to the referendum date, unless otherwise directed by the Director of the Division of Local Government Services in the Department of Community Affairs.

(2) The public question to be submitted to the voters at the referendum shall state only the amount by which the adjusted tax levy shall be increased by more than the otherwise allowable adjusted tax levy, and the percentage rate of increase which that amount represents over the allowable adjusted tax levy. The public question shall include an accompanying explanatory statement that identifies the changes in appropriations or revenues that warranted the governing body's decision to ask the public question; or, in the alternative and subject to the approval of the Director of the Division of Local Government Services in the Department of Community Affairs, a clear and concise narrative explanation of the circumstances for the increased adjusted tax levy being proposed.

(3) Unless otherwise provided pursuant to section 1 of P.L. 1989, c.31 (N.J.S.A. 40A:4-5.1), a referendum conducted pursuant to this subsection shall be held:

(a) for calendar year budgets only on the fourth Tuesday in January and the second Tuesday in March other than in a year when a presidential primary election occurs, in which case no such election on that date may be called; and

(b) for fiscal year budgets, only the last Tuesday in September, or the second Tuesday in December; provided, however, that no referendum shall be held on the same day as a referendum to exceed the school district levy cap.

(4) Any decision of the voters rejecting an increase to the tax levy cap under this subsection shall be final and conclusive, and no appeal or review shall be taken therefrom and no waiver application shall be made to the Local Finance Board.

(5) The director is authorized to act as necessary in order to consolidate ballot questions and procedures when a governing body elects to hold a referendum under both this section and section 9 of P.L.1983, c.49 (N.J.S.A. 40A:4-45.16).

c. (Deleted by amendment, P.L. 2010, c.44)

d. The adjusted tax levy shall be increased or decreased accordingly whenever the responsibility and associated cost of an activity performed by a local unit is transferred to or from a local unit, other government entity, or other service provider.

(cf: P.L. 2007, c.62, s.11)

40A:4-45.47 Actions taken by director to implement provisions concerning cap on the property tax levy; rules, regulations.

12. a. The Director of the Division of Local Government Services in the Department of Community Affairs shall take such action as is deemed necessary and consistent with the intent of sections 9 through 11 of P.L. 2007, c.62 (N.J.S.A. 40A:4-45.44 through N.J.S.A 40A:4-45.45) to implement its provisions.

b. The director, in consultation with the Commissioner of Education regarding referendum dates, shall promulgate rules and regulations to effectuate the purposes of subsection b. of section 11 of P.L. 2007, c.62 (N.J.S.A. 40A:4-45.46).

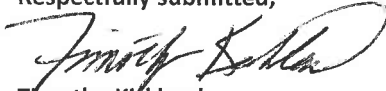
L.2007, c.62, s.12.

13. This act shall take effect immediately and shall be applicable to the next local budget year following enactment.

Joseph Spevak	2,134.96
Richard Primiano	222.31
Charles Sacco	67.41
William Frueh	67.41
Edward Dillon	67.41
New Jersey State Fire Chief's Association	125.00
New Jersey State Fire Chief's Association	412.50

TOTAL \$ 53,240.82

Respectfully submitted,



Timothy Kifkland
Treasurer



WithumSmith+Brown, PC
AUDIT • TAX • ADVISORY

 **DRAFT**



Financial Statements

December 31, 2015 and 2014

With Independent Auditors' Report

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
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**BOARD OF FIRE COMMISSIONERS
MANALAPAN TOWNSHIP FIRE DISTRICT #2
P.O. BOX 54
TENNENT, NEW JERSEY 07763a**

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

Our discussion and analysis of the Township of Manalapan Fire District No. 2's financial performance provides an overview of the District's financial activities for the years ended December 31, 2015 and 2014.

USING THIS ANNUAL REPORT

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

Reporting on the District as a Whole

The Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Revenue, Expenses and Changes in Governmental Fund Balances and Net Position

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

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

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

MANALAPAN TOWNSHIP FIRE DISTRICT #2

Management's Discussion and Analysis (continued)

Subsequent to the Measurement Date - an amendment of GASB Statement No. 68, relative to its participation in the Public Employees Retirement System (PERS). Historically, the District has recorded its contributions to the plan as expenses in the year these contributions were required by the State of New Jersey Division of Pensions and Benefits. With the adoption of GASB 68, the District is required to record a liability in its financial statements for its proportionate share of the PERS plan liability and expenses. As a result of implementing these statements, the cumulative effect on the financial statements as reported as of December 1, 2014 was a net decrease in unrestricted net assets of \$242,261. Additionally, liabilities increased by \$235,424 which reflects the District's proportionate share of its net pension liability, deferred outflows of resources increased by \$7,403 and deferred inflows of resources increased by \$15,671. All employers who participate in the PERS are being required to record a proportionate share of the \$46,170,131,656 and \$38,849,838,953 total net pension liabilities at June 30, 2015 and 2014, respectively, in their financial statements.

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

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

Reporting on the District's Most Significant Funds

Fund Financial Statements

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

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

The District as a Board

Reporting on the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

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

MANALAPAN TOWNSHIP FIRE DISTRICT #2

Management's Discussion and Analysis (continued)

	2015 GAAP Basis		Total	Increase (Decrease) over 2014	Percentage Increase (Decrease)
	General Fund Activities	Capital Fund Activities			
Assets and Deferred Outflows of Resources:					
Current and other assets	\$ 824,123	\$ 566,804	\$ 1,390,927	\$ (81,070)	-5.51%
Capital assets	-	2,490,833	2,490,833	254,249	11.37%
Deferred outflows of resources	49,434	-	49,434	42,031	567.76%
Total assets and deferred outflows of resources	\$ 873,557	\$ 3,057,637	\$ 3,931,194	\$ 215,210	5.79%
Liabilities and Deferred Inflows of Resources:					
Total liabilities	\$ 488,996	\$ 353,937	\$ 842,933	\$ (21,096)	-2.44%
Deferred inflows of resources	6,117	-	6,117	(9,554)	-60.97%
Total liabilities and deferred inflows of resources	495,113	353,937	849,050	(30,650)	
Net position					
Net investment in capital assets			2,136,896	325,037	17.94%
Restricted for capital acquisitions			437,501	(286,491)	-39.57%
Unrestricted			507,747	207,314	69.01%
Total net position			3,082,144	245,860	8.67%
Total liabilities, deferred inflows of resources and net position			\$ 3,931,194	\$ 215,210	5.79%

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

	2014 GAAP Basis		Total	Increase (Decrease) over 2013	Percentage Increase (Decrease)
	General Fund Activities (Restated)	Capital Fund Activities (Restated)			
Assets and Deferred Outflows of Resources:					
Current and other assets	\$ 907,648	\$ 564,349	\$ 1,471,997	\$ 93,256	6.76%
Capital assets - net	-	2,236,584	2,236,584	(80,119)	-3.46%
Deferred outflows of resources	7,403	-	7,403	7,403	100.00%
Total assets and deferred outflows of resources	\$ 915,051	\$ 2,800,933	\$ 3,715,984	\$ 20,540	0.56%
Liabilities and Deferred Inflows of Resources:					
Total liabilities	\$ 439,304	\$ 424,725	\$ 864,029	\$ 49,870	6.13%
Deferred inflows of resources	15,671	-	15,671	15,671	100.00%
Total liabilities and deferred inflows of resources	454,975	424,725	879,700	65,541	
Net position					
Net investment in capital assets			1,811,859	124,464	7.38%
Restricted for capital acquisitions			723,992	463,969	178.43%
Unrestricted			300,433	(633,434)	-67.83%
Total net position			2,836,284	(45,001)	-1.56%
Total liabilities, deferred inflows of resources and net position			\$ 3,715,984	\$ 20,540	0.56%

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

Governmental Activities

The General Fund is mainly to provide fire protection to its residents, educate the public as to fire prevention and precaution, and to train qualified personnel. All other governmental revenues are reported as general. It is

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

important to note that all taxes are classified as general revenue even if restricted for a specific purpose. Capital Fund Activities are mainly to provide for the acquisition of major fire equipment for fire extinguishment.

THE DISTRICT'S FUNDS

The following schedule presents a summary of general, capital fund revenues and expenditures for the fiscal years ended December 31, 2015 and 2014 and the amount and percentage of increases and decreases in relation to the prior year.

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

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

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

	2015 GAAP Basis	Percentage of Total Expenditures	Increase (Decrease) over 2014	Percentage Increase (Decrease)
Expenditures				
Salaries and wages	\$ 107,470	10.59%	\$ 3,406	3.27%
Fringe benefits	67,469	6.65%	3,377	5.27%
Election	3,819	0.38%	2,964	346.67%
Dues	1,490	0.15%	(266)	-15.15%
Office expenses and supplies	22,786	2.24%	(3,456)	-13.17%
Professional services	115,442	11.37%	51,565	80.73%
Travel expenses	20,252	2.00%	(2,819)	-12.22%
Communication expenses	19,942	1.96%	5,527	38.34%
Purchase of assets not included as capital outlays	4,855	0.48%	(14,412)	-74.80%

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

(continued)	2015 GAAP Basis	Percentage of Total Expenditures	Increase (Decrease) over 2014	Percentage Increase (Decrease)
Promotion	3,460	0.34%	772	28.72%
Insurance	113,735	11.20%	6,985	6.54%
Maintenance and repairs	108,836	10.72%	27,331	33.53%
Contractual	63,920	6.30%	2,266	3.68%
Other rental charges	123,240	12.13%	4,740	4.00%
Contingent expenses	-	0.00%	(8,254)	-100.00%
Uniforms	3,117	0.31%	(448)	-12.57%
Training	1,692	0.17%	(1,638)	-49.19%
Computer expenses	12,407	1.22%	(4,198)	-25.28%
Communication equipment	2,843	0.28%	2,576	964.79%
First Aid	-	0.00%	(12,000)	-100.00%
Interest on serial bonds	16,425	1.62%	(5,329)	-24.50%
Depreciation expense	191,847	18.90%	(17,397)	-8.31%
Pension expense, net	10,024	0.99%	8,593	600.49%
Total expenditures	<u>\$ 1,015,071</u>	<u>100.00%</u>	<u>\$ 49,885</u>	5.17%

Some expenditures are contractual in nature and because of market fluctuations, they can vary from year to year depending on the circumstances. Overall, the District experienced an increase in total expenditures of approximately \$50,000, or 5%, majority due to professional services for a new bond for capital project.

Expenditures	2014 GAAP Basis (Restated)	Percentage of Total Expenditures (Restated)	Increase (Decrease) over 2013 (Restated)	Percentage Increase (Decrease) (Restated)
Salaries and wages	\$ 104,064	10.78%	\$ 5,127	5.18%
Fringe benefits	64,092	6.64%	3,543	5.85%
Election	855	0.09%	(43)	-4.79%
Dues	1,756	0.18%	239	15.75%
Office expenses and supplies	26,242	2.72%	(869)	-3.21%
Professional services	63,877	6.62%	51	0.08%
Travel expenses	23,071	2.39%	1,184	5.41%
Communication expenses	14,415	1.49%	(10,178)	-41.39%
Purchase of assets not included as capital outlays	19,267	2.00%	4,275	28.52%
Promotion	2,688	0.28%	(1,499)	-35.80%
Insurance	106,750	11.06%	8,797	8.98%
Maintenance and repairs	81,505	8.44%	10,894	15.43%
Contractual	61,654	6.39%	408	0.67%
Other rental charges	118,500	12.28%	4,550	3.99%
Contingent expenses	8,254	0.86%	8,254	100.00%
Uniforms	3,565	0.36%	(977)	-21.51%
Training	3,330	0.35%	1,829	121.85%

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

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

Some expenditures are contractual in nature and because of market fluctuations, they can vary from year to year depending on the circumstances. Overall, the District experienced an increase in total expenditures of approximately \$48,000, or 5%, due to a general increase in operating expenses.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

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

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

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

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

Debts

At year end, the District had \$350,000 in capital serial bonds outstanding versus \$420,000 last year – a decrease of 17%.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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



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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Township of Manalapan Fire District No. 2, Monmouth County, New Jersey as of and for the years ended December 31, 2015 and 2014, and related notes to the financial statements, which collectively comprise Township of Manalapan Fire District No. 2's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Township of Manalapan Fire District No. 2's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America as applied to governmental units and the standards applicable to special districts which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Manalapan Fire District No. 2, Monmouth County, New Jersey as of December 31, 2015 and 2014, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

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

Other Matters

Required Supplementary Information

The accounting principles generally accepted in the United States of America required that the Management's Discussion and Analysis on page A1 through A7, Schedule of the District's Proportionated Share of the Net Pension Liability – PERS, and Schedule of the District's Contributions – PERS on page 25 to 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Township of Manalapan Fire District No. 2's basic financial statements. The accompanying financial information listed as Other Supplementary Information and Other Schedules, as listed in the table of contents, is presented for purposes of additional analysis and are not required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2015 and 2014 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information and Other Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2016 on our consideration of the Township of Manalapan Fire District No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Township of Manalapan Fire District No. 2's internal control over financial reporting and compliance.

Toms River, New Jersey
July 6, 2016



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

Independent Auditors' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, in compliance with the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Township of Manalapan Fire District No. 2, Monmouth County, New Jersey, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Township of Manalapan Fire District No. 2's basic financial statements, and have issued our report thereon dated July 6, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Toms River, New Jersey
July 6, 2016

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

	General Fund	Capital Fund	Total	Adjustments (Note 2)	Statement of Net Position
Assets and Deferred Outflow of Resources					
Assets					
Cash and investments	\$ 819,133	\$ 566,804	\$ 1,385,937	\$ -	\$ 1,385,937
Prepaid expenses	4,990	-	4,990	-	4,990
Interfund receivable	-	349,864	349,864	(349,864)	-
Capital assets, net	-	-	-	2,490,833	2,490,833
Deferred charges to future taxation	-	1,200,000	1,200,000	(1,200,000)	-
Total assets	<u>824,123</u>	<u>2,116,668</u>	<u>2,940,791</u>	<u>940,969</u>	<u>3,881,760</u>
Deferred Outflows of Resources					
Pension related	-	-	-	49,434	49,434
Total assets and deferred outflows of resources	<u>\$ 824,123</u>	<u>\$ 2,116,668</u>	<u>\$ 2,940,791</u>	<u>\$ 990,403</u>	<u>\$ 3,931,194</u>
Liabilities, Deferred Inflows of Resources, Fund Balances and Net Position					
Current liabilities					
Accounts payable	\$ 16,848	\$ -	\$ 16,848	\$ -	\$ 16,848
Encumbrances payable	1,763	-	1,763	-	1,763
PERSPP	11,376	-	11,376	-	11,376
Reserve for LOSAP trust	161,976	-	161,976	-	161,976
Accrued interest	-	-	-	3,937	3,937
Serial bonds payable - current	-	70,000	70,000	-	70,000
Interfund payable	349,864	-	349,864	(349,864)	-
Improvement authorizations	-	1,287,501	1,287,501	(1,287,501)	-
Total current liabilities	<u>541,827</u>	<u>1,357,501</u>	<u>1,899,328</u>	<u>(1,633,428)</u>	<u>265,900</u>
Other liabilities					
Serial bonds payable - long-term	-	280,000	280,000	-	280,000
Net pension liability	-	-	-	297,033	297,033
Total other liabilities	<u>-</u>	<u>280,000</u>	<u>280,000</u>	<u>297,033</u>	<u>577,033</u>
Total liabilities	<u>541,827</u>	<u>1,637,501</u>	<u>2,179,328</u>	<u>(1,336,395)</u>	<u>842,933</u>
Deferred Inflows of Resources					
Pension related	-	-	-	6,117	6,117
Fund balances					
Committed					
Capital improvements	-	479,167	479,167	(479,167)	-
Assigned					
Appropriation reserves	82,024	-	82,024	(82,024)	-
Designated for subsequent years' expenditures	139,840	-	139,840	(139,840)	-
Unassigned					
General fund	60,432	-	60,432	(60,432)	-
Total fund balances	<u>282,296</u>	<u>479,167</u>	<u>761,463</u>	<u>(761,463)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 824,123</u>	<u>\$ 2,116,668</u>	<u>\$ 2,940,791</u>		
Net Position					
Net investment in capital assets				2,136,896	2,136,896
Restricted for capital acquisitions				437,502	437,502
Unrestricted				507,746	507,746
Total net position				<u>3,082,144</u>	<u>3,082,144</u>
Total liabilities, deferred inflows of resources and net position				<u>\$ 990,403</u>	<u>\$ 3,931,194</u>

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

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2014

	General Fund	Capital Fund	Total	Adjustments (Note 2) (Restated)	Statement of Net Position (Restated)
Assets and Deferred Outflows of Resources					
Assets					
Cash and investments	\$ 903,000	\$ 564,349	\$ 1,467,349	\$ -	\$ 1,467,349
Prepaid expenses	4,648	-	4,648	-	4,648
Interfund receivable	-	353,135	353,135	(353,135)	-
Capital assets, net	-	-	-	2,236,584	2,236,584
Deferred charges to future taxation	-	420,000	420,000	(420,000)	-
Total assets	907,648	1,337,484	2,245,132	1,463,449	3,708,581
Deferred Outflows of Resources					
Pension related	-	-	-	7,403	7,403
Total assets and deferred outflows of resources	<u>\$ 907,648</u>	<u>\$ 1,337,484</u>	<u>\$ 2,245,132</u>	<u>\$ 1,470,852</u>	<u>\$ 3,715,984</u>
Liabilities, Deferred Inflows of Resources, Fund Balances and Net Position					
Current liabilities					
Accounts payable	\$ 11,779	\$ -	\$ 11,779	\$ -	\$ 11,779
Encumbrances payable	32,120	-	32,120	-	32,120
PERSPP	10,366	-	10,366	-	10,366
Reserve for LOSAP trust	149,615	-	149,615	-	149,615
Accrued interest	-	-	-	4,725	4,725
Serial bonds payable - current	-	70,000	70,000	-	70,000
Interfund payable	353,135	-	353,135	(353,135)	-
Improvement authorizations	-	723,992	723,992	(723,992)	-
Total current liabilities	557,015	793,992	1,351,007	(1,072,402)	278,605
Other liabilities					
Serial bonds payable - long-term	-	350,000	350,000	-	350,000
Net pension liability	-	-	-	235,424	235,424
Total other liabilities	-	350,000	350,000	235,424	585,424
Total liabilities	<u>557,015</u>	<u>1,143,992</u>	<u>1,701,007</u>	<u>(836,978)</u>	<u>864,029</u>
Deferred Inflows of Resources					
Pension related	-	-	-	15,671	15,671
Fund balances					
Committed					
Capital improvements	-	193,492	193,492	(193,492)	-
Assigned					
Appropriation reserves	125,421	-	125,421	(125,421)	-
Designated for subsequent years' expenditures	160,000	-	160,000	(160,000)	-
Unassigned:					
General fund	65,212	-	65,212	(65,212)	-
Total fund balances	350,633	193,492	544,125	(544,125)	-
Total liabilities and fund balances	<u>\$ 907,648</u>	<u>\$ 1,337,484</u>	<u>\$ 2,245,132</u>		
Net Position					
Net investment in capital assets				1,811,859	1,811,859
Restricted for capital acquisitions				723,992	723,992
Unrestricted				300,433	300,433
Total net position				2,836,284	2,836,284
Total liabilities, deferred inflows of resources and net position				<u>\$ 1,470,852</u>	<u>\$ 3,715,984</u>

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

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Statement of Revenues, Expenses and Changes in Governmental
Fund Balances and Net Position
Year Ended December 31, 2015

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

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

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Statement of Revenues, Expenses and Changes in Governmental
Fund Balances and Net Position
Year Ended December 31, 2014

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

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

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

1. Summary of Significant Accounting Policies

General Statement

The accounting policies of the Township of Manalapan Fire District No. 2 (District) conform to the accounting principles generally accepted in the United States of America and the standards applicable to special districts which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. For the years ended December 31, 2015 and 2014, the financial statements of the Township of Manalapan Fire District No. 2 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

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

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

Basis of Presentation

Combined Fund and Government-wide Financial Statements

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

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

Governmental Fund Types

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

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

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

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

Basis of Accounting

Fund Basis of Accounting

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

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

Government-wide Basis of Accounting

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

Budgets/Budgetary Control

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

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

Encumbrances

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

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

Fixed Assets

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

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

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

Impairment of Capital Assets

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

Interfund Transactions and Balances

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

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

Long-Term Obligations

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

Deferred Outflows/Inflows of Resources

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

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

New Accounting Pronouncements and Restatement

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

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

Net Position

Fund Basis

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

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

Government-wide Basis

Net position is displayed in three components:

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

2. Adjustments to Arrive at Net Position

Capital Assets - Net and Net Investment in Capital Assets

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

Interfund Receivables and Payables

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

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

For the years ended December 31, 2015 and 2014, fund balances in the amount of \$761,463 and \$544,125, respectively, have been eliminated. Unrestricted net position in the amount of \$507,746 and \$300,433 respectively and net position restricted for capital acquisitions in the amount of \$437,502 and \$723,992, respectively, have been included in the government-wide presentation.

Improvement Authorizations

Improvement authorizations, which are liabilities that represent the District's earmarking of fund balances for a specified future project, do not represent liabilities as defined by U.S. generally accepted accounting principles. Therefore, for the years ended December 31, 2015 and 2014 improvement authorizations in the amount of \$1,287,501 and \$723,992, respectively, have been eliminated in arriving at the government-wide presentation.

Deferred Charges to Future Taxation

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

Deferred Outflows/Inflows of Resources

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

Net Pension Liability

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

Accrued Interest

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

3. Adjustments to Arrive at the Change in Net Position

Operating Appropriations

For the year ended December 31, 2015, depreciation expense in the amount of \$191,847 has been included in the government-wide presentation. Additionally, to account for fixed asset purchases expensed under the fund basis of accounting, purchase of assets not included as capital outlays expense has been decreased by \$60,584, uniforms have been decreased by \$25,793, communication equipment has been decreased by \$5,321, and pension expense, net has been increased by \$10,024. In addition, principal payments on serial bonds expense have been decreased by \$70,000. The interest on serial bonds is also decreased by \$788. The net effect on operating appropriations is an increase of \$39,385.

For the year ended December 31, 2014, depreciation expense in the amount of \$209,244 has been included in the government-wide presentation. Additionally, to account for fixed asset purchases expensed under the fund basis of accounting, purchase of assets not included as capital outlays expense has been decreased by \$93,677, uniforms have been decreased by \$20,939, computer expenses have been decreased by \$3,568, communication equipment has been decreased by \$3,128, and pension expense, net has been increased by \$1,431. In addition, principal payments on serial bonds expense have been decreased by \$160,000. The interest on serial bonds is also decreased by \$787. The net effect on operating appropriations is a decrease of \$71,424.

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Capital Appropriations and Related Transfers

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

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

Loss on Disposition of Fixed Assets

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

4. Deposits and Investments

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

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

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

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

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

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

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

The carrying amount of the Board's cash at December 31, 2015 was \$1,385,937 and the bank balance was \$1,559,996. Of the balance, \$250,000 was covered by federal depository insurance and \$1,309,996 was covered by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., for all New Jersey governmental units' deposits in excess of the federal deposit maximums.

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

Category 1	Deposits which are covered by FDIC, or collateralized by securities held by the District or its agent, in the District's name	\$ 250,000
Category 2	Deposits which are collateralized with securities held by the pledging financial institution's trust department, or Agent in the District's name.	1,309,996
Category 3	Deposits which are not collateralized or insured	39

The certificates of deposits are term from 30 days to 182 days, with interest rate of 0.25% and mature in 2016.

Fair Value Measurements

Pursuant to the requirements of the accounting standard related to fair value measurements, the District has provided fair value disclosure information for relevant assets and liabilities in these financial statements. The following table summarizes assets which have been accounted for at fair value on a recurring basis as of December 31, 2015 and 2014, along with the basis for the determination of fair value:

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

For applicable assets and liabilities subject to this pronouncement, the District will value such assets and liabilities using quoted market prices in active markets for identical assets and liabilities to the extent possible (Level 1). To the extent that such market prices are not available, the District will next attempt to value such assets and liabilities in active and inactive markets and other corroborated factors (Level 2). In the event that quoted market prices in active markets and other observable measurement criteria are not available, the District will develop measurement criteria based on the best information available (Level 3).

Investments

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

- (a) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (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.

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- (d) Bonds or other obligations, having a maturity date of not more than twelve months from the date of purchase, which are approved by the New Jersey Department of Treasury, Division of Investments.
- (e) Qualified mutual funds with portfolios limited to (i) bonds or other obligations of, or guaranteed by, the United States of America; and (ii) repurchase agreements fully collateralized by such obligations. These investments must be transacted only through national or state banks located within New Jersey.

During the year, the District had none of its idle funds invested in repurchase agreements collateralized by eligible securities. At the close of 2015 and 2014, no such investments were held by the District.

5. Assessment and Collection of Money Authorized By Voters

Upon proper certification pursuant to Section 9 of P.L. 1979 c. 453 (C40[A]:14-79), the assessor of the municipality, in which the fire district is situated, shall assess the amount to be raised by taxation to support the district budget against the taxable property therein, in the same manner as municipal taxes are assessed and the same amount shall be assessed, levied and collected at the same time and in the same manner as other municipal taxes.

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

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

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

6. Funding

The activities of the Township of Manalapan Fire District No. 2 are primarily funded by the striking of a fire tax on the property owners of the Fire District, as provided for by state statute. For the years ended December 31, 2015 and 2014, the fire tax rate on Fire District No. 2 was \$.051 and \$.050, respectively, per \$100 of assessed valuation.

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

The District also participates in the Supplemental Fire Services Program. For the years ended December 31, 2015 and 2014, the District received amount of \$2,631 in each year.

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7. LOSAP

The District maintains a LOSAP (Length of Service Awards Program) plan. The plan is considered to be a deferred compensation plan for volunteers and the contribution is not based on compensation. New Jersey Statutes set the contribution limits. The contributions for 2015 and 2014 were \$43,394 and \$39,648 respectively.

8. Pension Plan

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

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

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

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

Employer and Employee Contributions

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

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

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GASB 68 - Restatement

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

Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

	2015		2014	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	\$ 31,899	\$ -	\$ 7,403	\$ -
Net difference between projected and actual earnings on pension plan investments	7,086	4,776	-	14,030
Changes in proportion and differences between Authority contributions and proportionate share of contributions	10,449	1,341	-	1,641
District contributions subsequent to the measurement date	-	-	-	-
	<u>\$ 49,434</u>	<u>\$ 6,117</u>	<u>\$ 7,403</u>	<u>\$ 15,671</u>

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

Years Ended December 31:

	PERS	Authority Share
2016	\$ 861,409,913	\$ 8,097
2017	861,409,913	8,097
2018	861,409,913	8,097
2019	1,293,067,797	12,156
2020	<u>730,809,712</u>	<u>6,870</u>
	<u>\$ 4,608,107,248</u>	<u>\$ 43,317</u>

Actuarial Assumptions

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

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

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

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

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

Discount Rate

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

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

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

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

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

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

Pension Plan Fiduciary Net Position

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

9. Capital Assets

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

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

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

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

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

10. Long-Term Debts

Serial Bonds

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

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

Future debt service requirements for serial bonds are as follows:

Fiscal Year	Principal	Interest	Total
2016	\$ 70,000	\$ 14,175	\$ 84,175
2017	70,000	11,025	81,025
2018	70,000	7,875	77,875
2019	70,000	4,725	74,725
2020	70,000	1,575	71,575
Total	<u>\$ 350,000</u>	<u>\$ 39,375</u>	<u>\$ 389,375</u>

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

11. Agreements

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

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

Both service agreements were renewed for an additional year.

12. Risk Assessment

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

13. Subsequent Events

The District has evaluated subsequent events occurring after December 31, 2015 through the date of July 6, 2016 which is the date the financial statements were available to be issued. Based on this evaluation, the District has determined that no subsequent events have occurred that require recognition or disclosure in the financial statements.

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

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

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

Notes to Required Supplementary Information

Benefit Changes

None

Changes of Assumptions

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

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of the District's Contributions – Public Employees'
Retirement System (PERS)
Year Ended December 31, 2015

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

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

Township of Manalapan Fire District No. 2
Monmouth County, New Jersey
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - All Governmental Fund Types
Year Ended December 31, 2015

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

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

Township of Manalapan Fire District No. 2
 Monmouth County, New Jersey
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - All Governmental Fund Types
 Year Ended December 31, 2015

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

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

Township of Manalapan Fire District No. 2
 Monmouth County, New Jersey
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - All Governmental Fund Types
 Year Ended December 31, 2015

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

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

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

A. Budgetary Basis of Accounting

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

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

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

B. Budgetary to GAAP Reconciliation

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

	Change in <u>Fund Balance</u>
(1) Encumbrances for equipment and vehicle purchases are reported as expenses in the year the orders are place for budgetary purposes. For GAAP purposes, the equipment and vehicle purchases are capitalized in the year received.	\$ 91,698
Principal debt payments are reported as budgetary expenditures in the year payment is made. For GAAP purposes debt payments are not expenses, but are applied toward the reduction of debt.	70,000
Accrued interest is not an expense for budgetary purpose. For GAAP purposes, it is a liability and an expense.	788
For GAAP purpose, pension expense – net or the change in the net pension liability and the changes in deferred outflows/inflows of resources related to pension are charged to expense. For budgetary purpose, pension expense – net is expenditure when made.	(10,024)
Depreciation expense is not recorded on the budgetary basis of accounting. For GAAP purposes, capitalized assets are depreciated on a straight line basis over their respective useful lives.	<u>(191,847)</u>
Net increase in fund balance – budget to GAAP	(39,385)
(2) Capital appropriations approved in the current year budget are reported as expenses in the year the funds are designated by voter election. For GAAP purposes, amounts are recorded when actual invoices are received.	70,000

See Independent Auditors' Report.

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

Loss on disposition of fixed asset is not recorded on the budgetary basis of accounting. For GAAP purposes, disposal loss is recorded as deduction of current year revenues. (2,093)

(3) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the District's budget. (See Note A for a description of the District's budgetary accounting method.) This amount differs from the fund balance reported in the statement of revenues, expenditures and changes in fund balances because of the cumulative effect of transactions such as those described above. 2,292,159
\$ 2,320,681

C. Budget Cancellation

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

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

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

Purpose	Date	Authorized Appropriation		Balance	2015 Authorization	2015 Expenditures	2015 Transfers	Balance
		Amount	December 31, 2014	December 31, 2015				
Kitchen & bath	12/13/06	\$ 130,000	\$ 52,980	\$ -	\$ -	\$ (52,980)	\$ -	
Pierce quantum pumper	12/15/07	700,000	48,546	-	-	(48,546)	-	
Restored floors & walls	12/14/10	125,000	33,497	-	-	(33,497)	-	
Sewer & building improvements	12/17/11	125,000	125,000	-	-	(125,000)	-	
Utility building	12/16/13	425,000	400,380	-	(350,546)	262,667	312,501	
Opticom system	12/16/13	55,000	55,000	70,000	-	-	125,000	
Radio equipment	12/16/13	45,000	8,589	-	(5,945)	(2,644)	-	
Rescue truck	02/23/15	850,000	-	850,000	-	-	850,000	
			<u>\$ 723,992</u>	<u>\$ 920,000</u>	<u>\$ (356,491)</u>	<u>\$ -</u>	<u>\$ 1,287,501</u>	

See Independent Auditors' Report.

Township of Manalapan Fire District No. 2
 Monmouth County, New Jersey
 Schedule of Improvement Authorizations - Capital Fund
 Year Ended December 31, 2014

Purpose	Authorized Appropriation		Balance	2014		Balance
	Date	Amount	December 31, 2013	Authorization	2014 Expenditures	December 31, 2014
Kitchen & bath	12/13/06	\$ 130,000	\$ 52,980	\$ -	\$ -	\$ 52,980
Pierce quantum pumper	12/15/07	700,000	48,546	-	-	48,546
Restored floors & walls	12/14/10	125,000	33,497	-	-	33,497
Sewer & building improvements	12/17/11	125,000	125,000	-	-	125,000
Utility building	12/16/13	425,000	-	425,000	(24,620)	400,380
Opticom system	12/16/13	55,000	-	55,000	-	55,000
Radio equipment	12/16/13	45,000	-	45,000	(36,411)	8,589
			<u>\$ 260,023</u>	<u>\$ 525,000</u>	<u>\$ (61,031)</u>	<u>\$ 723,992</u>

See Independent Auditors' Report.

Township of Manalapan Fire District No. 2
 Monmouth County, New Jersey
 Schedule of Deferred Charges to Future Taxation - Capital Fund
 Year Ended December 31, 2015

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

See Independent Auditors' Report.

Township of Manalapan Fire District No. 2
 Monmouth County, New Jersey
 Schedule of Deferred Charges to Future Taxation - Capital Fund
 Year Ended December 31, 2014

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

See Independent Auditors' Report.

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

Property Tax Levies

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

<u>Fiscal Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2005	\$ 801,378,516	\$ 747,723	\$ 0.094
2006	861,225,913	745,598	0.087
2007 (Revaluation)	2,130,996,941	809,546	0.038
2008	2,302,335,538	888,318	0.039
2009	2,398,269,561	974,614	0.041
2010	2,153,434,420	1,010,396	0.047
2011	2,202,940,369	1,032,482	0.047
2012	2,248,545,700	1,057,156	0.047
2013	2,288,997,500	1,076,763	0.047
2014	2,330,387,076	1,160,042	0.050
2015	2,473,218,050	1,250,930	0.051

General Fund – Fund Balance before Current Year Appropriation Reserves

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
December 31, 2005	\$ 642,073	\$ 145,000
December 31, 2006	533,079	193,000
December 31, 2007	399,196	103,410
December 31, 2008	471,604	146,128
December 31, 2009	475,829	230,714
December 31, 2010	425,804	245,975
December 31, 2011	398,152	255,180
December 31, 2012	338,970	261,881
December 31, 2013	228,223	197,989
December 31, 2014	225,212	160,000
December 31, 2015	200,272	139,840

Capital Fund – Fund Balance

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
December 31, 2005	\$ 557,731	\$ 250,000
December 31, 2006	342,346	244,000
December 31, 2007	154,652	-
December 31, 2008	201,517	-
December 31, 2009	250,902	-
December 31, 2010	320,043	125,000
December 31, 2011	262,802	-
December 31, 2012	329,302	-
December 31, 2013	520,075	517,000
December 31, 2014	193,492	-
December 31, 2015	479,167	-

See Independent Auditors' Report.

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

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

Other Officials

Joseph Youssouf Board Attorney

* Blanket Bond Coverage

Surety Company

First Responder Joint Insurance Fund

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

Scope of Examination and Conditions of Records

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

The financial records were maintained in good condition.

Minutes of Board meetings were properly maintained by the Recording Secretary.

Cash in Banks

The balances in banks at December 31, 2015 were reconciled with statements issued by the depositories.

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

Examination of Claims

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

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

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

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

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

The results of our examination indicated one individual payment, contract or agreement was made "for the performance of any work or the furnishing or hiring of any materials or supplies", in excess of the statutory thresholds where there had been advertising for bids in accordance with provisions of N.J.S.A. 40A:11-21.

Miscellaneous

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

Acknowledgment

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

Recommendations

None

See Independent Auditors' Report.

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

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,

Toms River, New Jersey
July 6, 2016

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

Schedule of Financial Statement Findings

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

Material Weaknesses

None

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

Schedule of Prior Year Financial Statement Findings

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

Material Weaknesses

None

(Part 1)

STATE OF NEW JERSEY
DEPARTMENT OF COMMUNITY AFFAIRS
DIVISION OF LOCAL GOVERNMENT SERVICES
LOCAL FINANCE BOARD
APPLICATION CERTIFICATION

APPLICANT'S
NAME:

THE BOARD OF COMMISSIONERS OF FIRE DISTRICT NO. 2 IN
THE TOWNSHIP OF MANALAPAN, IN THE COUNTY OF
MONMOUTH, NEW JERSEY

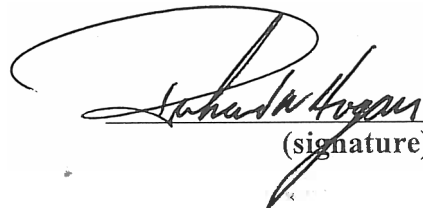
I, Richard Hogan, Board Chairman OF
(name) (title)
THE BOARD OF COMMISSIONERS OF FIRE DISTRICT NO. 2 IN THE TOWNSHIP OF
MANALAPAN, IN THE COUNTY OF MONMOUTH, NEW JERSEY (the "Fire District")
(applicant)

DO HEREBY DECLARE:

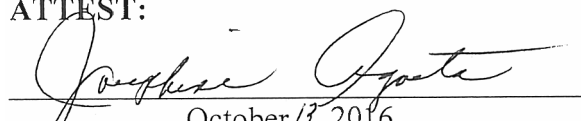
That the documents submitted herewith and the statements contained herein are true to the best of my knowledge and belief; and

That this application was considered and its submission to the Local Finance Board approved by the governing body of the Fire District on February 3, 2016; and

That the governing body of the Fire District has notified each participating local unit of its submission of this application to the Local Finance Board and has made available to each, a true copy of this application.


(signature)

ATTEST:


October 13, 2016
(date)

JOSEPHINE AGOSTA
Notary Public of New Jersey
My Commission Expires August 28, 2020