





**MANALAPAN FIRE DISTRICT NO. 1**

**REPORT OF AUDIT**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2012**

**TOWNSHIP OF MANALAPAN FIRE DISTRICT NO.1**

**TABLE OF CONENTS**

	<u>PAGE</u>
Roster of Officials	1
<u>FINANCIAL SECTION</u>	2
Independent Auditor's Report	3 - 4
Independent Auditor's 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	5 - 6
Required Supplementary Information – Part I	7
Management's Discussion and Analysis (Unaudited)	8 - 9
Basic Financial Statements	10
A.    District-wide Financial Statements	11
A-1    Statement of Net Assets	12
A-2    Statement of Activities	13
B.    Fund Financial Statements	14
Governmental Funds:	
B-1    Balance Sheet	15
B-2    Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	16
B-3    Reconciliation of the Statement of Revenues, Expenditures and Changes in Governmental Funds to the Statement of Activities	17
<u>NOTES TO FINANCIAL STATEMENTS</u>	18-25
<u>REQUIRED SUPPLEMENTARY INFORMATION PART - II</u>	26
Budgetary Comparison Schedules	27
C-1    Budgetary Comparison Schedule – Actual vs. Budgeted Revenues	28
C-2    Budgetary Comparison Schedule – Actual vs. Budgeted Expenditures	29

**TOWNSHIP OF MANALAPAN FIRE DISTRICT NO.1**

**ROSTER OF OFFICIALS**

**DECEMBER 31, 2012**

**AUTHORITY MEMBERS**

**POSITION**

Alan Spector	Chairman
Gary Weiss	1st Vice Chairman-Trucks and Radios
Louis Caruana	2 <sup>nd</sup> Vice Chairman-Insurance
Michael DeAngelis	Treasurer
Kenneth Kelly	Clerk
George Schmatz	Treasurer-Equipment

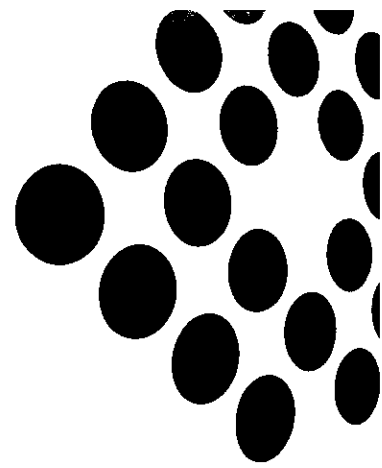
**OTHER**

Charles Parker, Esq.	Solicitor
Orlick, Berger, Marin & Associates	Auditor

**FINANCIAL SECTION**



**obm associates**  
CERTIFIED PUBLIC ACCOUNTANTS • ADVISORS



## **INDEPENDENT AUDITOR'S REPORT**

Chairman and Members of the  
Board of Fire Commissioners  
Manalapan Township Fire District No. 1  
Manalapan, New Jersey

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregated remaining fund information of the Manalapan Township Fire District No. 1, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance in internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion, An audit also includes evaluating the appropriates of accounting policies used and reasonableness of significant accounting estimates made my management, as well as evaluating the overall presentation of the financial statements

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Manalapan Township Fire District No. 1 as of December 31, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2013 on our consideration of the Manalapan Township Fire District No. 1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 28-29 be presented to supplement the basic financial statements. Such information, although not a part of the basis financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basis financial statements, and other knowledge we obtained during our audit of the basis 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.

*Orlick, Berger, Marin & Associates*

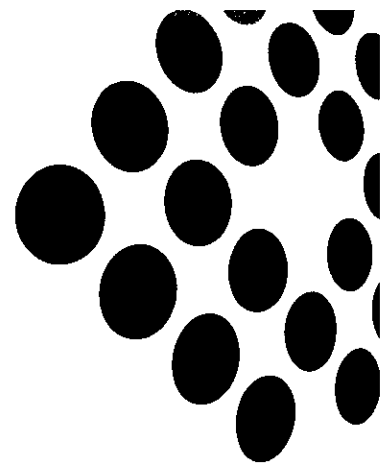
**ORLICK • BERGER • MARIN & ASSOCIATES**  
Certified Public Accountants

Freehold, New Jersey  
June 19, 2013





**obm associates**  
CERTIFIED PUBLIC ACCOUNTANTS / ADVISORS



**INDEPENDENT AUDITOR'S 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**

Chairman and Members  
Of the Board of Fire Commissioners  
Manalapan Township Fire District No. 1  
Manalapan, New Jersey

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Manalapan Township Fire District No. 1 as of and for the year then ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Manalapan Township Fire District No. 1's basic financial statements, and have issued our report thereon dated June 19, 2013

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Manalapan Township Fire District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Manalapan Township Fire District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of Manalapan Township Fire District No. 1'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 audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Manalapan Township Fire District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

*Orlick • Berger • Marin & Associates*

**ORLICK • BERGER • MARIN & ASSOCIATES**  
Certified Public Accountants

Freehold, New Jersey  
June 19, 2013

**REQUIRED SUPPLEMENTARY INFORMATION – PART I**

**MANALAPAN FIRE DISTRICT NO. 1**  
**MANALAPAN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(Unaudited)**

**INTRODUCTION**

The Manalapan Board of Fire Commission for Fire District No.1, hereinafter referred to as the "District" is pleased to present the Annual Financial Report developed in accordance with Governmental Accounting Standard No. 34 entitled, "Basic Financial Statement - Management's Discussion and Analysis-For State & Local Governments" (Hereinafter "GASB34") and related standards.

**MISSION**

The mission of the District is to provide world-class fire prevention and service to the residents of the district and the region *via* creative and efficient use of the District's human, technical, and financial resources.

**RESPONSIBILITY AND CONTROL**

The District has prepared and is responsible for, the financial statements and related information in this report. The opinion of the independent auditors, Orlick, Berger, Marin & Associates, is included in this report. In management's opinion the financial statements represent fairly and in all material aspects, financial position and results of operations of the District for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has met the requirements of the General Bond Resolution and the following provides the management's analysis of the District's financial condition for the year then ended. This information should be read in conjunction with the financial statements.

**SUMMARY OF ORGANIZATION AND BUSINESS**

The Manalapan Fire District is a taxing authority charged with the duty to prevent and extinguish fires and regulate fire hazards, (N.J.S.A. 40A: 4-81).

The District was created for the purpose of fire suppression and prevention and operating a fire department for said purpose. The District's responsibilities are carried out by a volunteer force and there are no paid professional firefighters.

**MANAGEMENT OVERSIGHT**

The Manalapan Board of Fire Commissioners consists of five board members who are elected by the residents of Manalapan Fire District No. 1 at the annual election.

**MANALAPAN FIRE DISTRICT NO. 1**  
**MANALAPAN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(Unaudited)**

**FINANCIAL HIGHLIGHTS**

**Capital Assets**

The Manalapan District's investment in capital assets for its governmental activities as of December 31, 2012 amounts to \$1,639,773 (net of accumulated depreciation). This investment in capital assets includes equipment, furniture and leasehold improvements (more detailed information about capital assets can be found in Note 3 to the financial statements).

	<u>Governmental Activities</u>
Vehicles & Equipment	\$ 4,611,447
Leasehold Improvements	<u>1,304,224</u>
	5,915,671
Less: Accumulated Depreciation	<u>(4,275,898)</u>
Capital Assets, Net	<u>\$ 1,639,773</u>

**Long-Term Debt**

At year-end the District had \$455,646 in finance lease obligations outstanding of which \$108,863 is due within one year and \$346,783 is due later than 1 year.

**Revenues and Expenditures**

Total Revenues were \$1,228,823. Total expenditures were \$1,292,865.

**FINAL COMMENTS**

The District has budgeted its expenses and revenues conservatively in the past and will continue to do so in the future. Maintaining or lowering customer rates while providing quality service are the primary goals of the District. Constant internal monitoring of financial data ensures that these goals can be met.

The financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have any questions about this report or need additional financial information, contact the Board, Manalapan Fire District, P O Box 395, 683 Tennent Rd, Manalapan, NJ 07726.

**BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS**

MANALAPAN TOWNSHIP FIRE DISTRICT NO. 1  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2012

	<u>Governmental Activities</u>	<u>Total</u>
<u>Assets</u>		
Cash & Investments	\$ 223,981	\$ 223,981
Capital Assets, Net	<u>1,639,773</u>	<u>1,639,773</u>
Total Assets	<u>1,863,754</u>	<u>1,863,754</u>
<u>Liabilities</u>		
Current Portion of Lease Payable	108,863	108,863
Accounts Payable	8,016	8,016
Long Term Lease Payable	<u>346,783</u>	<u>346,783</u>
Total Liabilities	<u>463,662</u>	<u>463,662</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	1,184,127	1,184,127
Unrestricted	<u>215,965</u>	<u>215,965</u>
Total Net Assets	<u>\$ 1,400,092</u>	<u>\$ 1,400,092</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS



MANALAPAN TOWNSHIP FIRE DISTRICT NO. 1  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012

## Expenses:

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Governmental Activities</u>	<u>Total</u>
Governmental Activities:			
Operations and Maintenance	\$ 1,046,006	\$ 1,046,006	\$ 1,046,006
Interest on Long-Term Debt	17,008	17,008	17,008
Unallocated Depreciation	<u>293,652</u>	<u>293,652</u>	<u>293,652</u>
Total Governmental Activities	<u>1,356,666</u>	<u>1,356,666</u>	<u>1,356,666</u>

## General Revenues:

Property Taxes, Levied for General Purpose	1,228,502	1,228,502
Interest on Investments	<u>321</u>	<u>321</u>
Total General Revenues	<u>1,228,823</u>	<u>1,228,823</u>
Change in Net Assets	(127,843)	(127,843)
Net Assets- Beginning of Year	<u>1,527,935</u>	<u>1,527,935</u>
Net Assets - End of Year	<u>\$ 1,400,092</u>	<u>\$ 1,400,092</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**FUND FINANCIAL STATEMENTS**

MANALAPAN TOWNSHIP FIRE DISTRICT NO. 1  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012

<u>Assets</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Cash and Investments	\$ 223,981	\$ -	\$ -	\$ 223,981
Total Assets	<u>223,981</u>	<u>-</u>	<u>-</u>	<u>223,981</u>
 <u>Liability and Fund Balances</u>				
Liability				
Accounts Payable	8,016	-	-	8,016
Total Liability	<u>8,016</u>	<u>-</u>	<u>-</u>	<u>8,016</u>
 Fund Balances				
Reserved for Encumbrances	-	-	-	-
Unreserved				
Designated for Specific Purposes	-	-	-	-
Undesignated	215,965	-	-	215,965
Total Fund Balances	<u>215,965</u>	<u>-</u>	<u>-</u>	<u>215,965</u>
Total Liability and Fund Balances	<u>\$ 223,981</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 223,981</u>

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

Total Fund Balances - Governmental Funds	\$ 215,965
Amounts reported for governmental activities in the statement of net assets (Exhibit A-1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The costs of assets is \$ 5,915,671 and the accumulated depreciation is \$ 4,275,898 (See Note 3 to financial statements)	1,639,773
Liabilities, including lease payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (See Note 4 to financial statements)	<u>(455,646)</u>
Net Assets of Governmental Activities	<u>\$ 1,400,092</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

MANALAPAN TOWNSHIP FIRE DISTRICT NO. 1  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Fund
<u>Revenues</u>				
Local Tax Levy	\$ 981,643	\$ 124,190	\$ 122,669	\$ 1,228,502
Interest on Investments	321	-	-	321
Total Revenues	<u>981,964</u>	<u>124,190</u>	<u>122,669</u>	<u>1,228,823</u>
<u>Expenditures</u>				
Operations and Maintenance	1,046,006	-	-	1,046,006
Capital Outlay	-	124,190	-	124,190
Debt Service:				
Principal	-	-	105,661	105,661
Interest	-	-	17,008	17,008
Total Expenditures	<u>1,046,006</u>	<u>124,190</u>	<u>122,669</u>	<u>1,292,865</u>
Excess (Defecit) of Revenues Over Expenditures - Net Change in Fund Balances	(64,042)	-	-	(64,042)
Fund Balances - Beginning of Year	<u>288,023</u>	-	-	<u>288,023</u>
Fund Balances - End of Year	<u>\$ 223,981</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 223,981</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

MANALAPAN FIRE DISTRICT NO. 1  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2012

Total net change in fund balances - governmental funds (from Exhibit B-2)		\$ (64,042)
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.</p>		
Depreciation expense	\$ 293,652	
Capital outlays	<u>124,190</u>	169,462
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities</p>		
principal payments		105,661
<p>Lease capitalization is an asset in the governmental funds and increases the long term liabilities in the statement of net assets and is not reported in the statement of activities.</p>		
Lease capitalization		<u>(338,924)</u>
Change in net assets of governmental activities (from Exhibit A-2)		<u>\$ (127,843)</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**MANALAPAN FIRE DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Introduction**

The financial statements of Manalapan Fire District No. 1 (the “district”) 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 (GASB) is the accepted standard – setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

**Description of Reporting Entity**

The Manalapan Township Fire District No. 1 was created in March 1962. The governing body of the Township of Manalapan adopted an ordinance creating the Fire District and the charter was signed. The territorial location of the District is the northwest section of the township.

The District is responsible for the prevention and suppression of fire within the northwest section of the Township. The District protects 30,000 residents and encompasses approximately 15 square miles of territory and is not coterminous with the boundaries of the Township. Separate first aid squads within the Township provide rescue and ambulance services. Another fire district exists within the Township covering an additional 15 square miles.

A Board of five commissioners governs the District. The commissioners of the Board are elected at-large for three-year staggered terms with an annual election held the third Saturday of every February. The Chairman and other officers of the Board of the District are selected from amongst the members of the Board.

Fire Districts are governed by N.J.S.A.40A: 14-70 et al. and are organized as a taxing authority charged with the responsibility of providing the resources necessary to provide fire-fighting services. The Fire District No. 1 operates two separate fire stations within its Fire jurisdiction, the Tennent Road facility and the Pease Road satellite facility. Approximately 58 trained volunteers staff the volunteer fire stations.

The Fire District No. 1 is not a component unit of any other financial reporting entity nor does the Fire District have any component units to be presented in accordance with Governmental Accounting Standards Board Statement No. 14.

**Basis of Accounting, Measurement Focus and Basis of Presentation**

The District’s basic financial statements consist of District-wide statements, including a Statement of Net Assets and a Statement of Activities, and Fund Financial Statements which provide a more detailed level of financial information.

**MANALAPAN FIRE DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**District-Financial Statements**

The Statement of Net Assets and Statement of Activities display information about the district as a whole. These statements include the financial activities of the overall District except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activity of the District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the District.

The financial statements of the District conform to accounting principles generally accepted in the United States of America applicable to governmental funds of state and local governments in accordance with the provisions of N.J.A.C. 5:31-7.1. Generally, the financial statements are presented using the flow of current financial resources measurements focus and modified accrual basis of accounting. Accordingly, the District accounts for its transactions through the use of funds and account groups:

**Governmental Funds:**

**General Fund:** The general fund is the general operating fund of the District and is used to account for the inflows and outflows of its financial resources except those required to be accounted for in another fund. The acquisition of certain capital assets, such as fire fighting apparatus and equipment, is accounted for in the General Fund when it is responsible for the financing of such expenditures.

**Capital Projects Fund:** The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities such as fire house improvements and fire fighting apparatus. Generally, the financial resources of the Capital Projects Fund are derived from the issuance of debt or by the reservation of fund balance, which must be authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

**MANALAPAN FIRE DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds (continued)

Debt Service Fund: The Debt Service Fund is used to account for resources that will be used to service general long-term debt liabilities recorded in the General Long-Term Debt Account Group.

Budgets and Budgetary Accounting

The District must adopt an annual budget in accordance with N.J.S.A. 40A:14-78.1 et al.

The fire commissioners must introduce and approve the annual budget not later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the Township. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the fire commissioners may, by a majority vote, adopt the budget.

Amendments may be made to the District's budget in accordance with N.J.S.A.40A: 14-78.3. Subsequent to the adoption of the District's budget, the amount of money to be raised by taxation in support of the District's budget must appear on the ballot for the annual election for approval of the voters

Fire districts have a prescribed budgetary basis to demonstrate legal compliance. However, the budgets are adopted on principally the same basis of accounting utilized for the preparation of the District's financial statements.

Revenues

Revenues are recorded when received in cash except for certain amounts which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the budget. Fund balance utilized to balance the budget is recorded as revenue and budgeted transfers from other funds are also recorded as revenue when anticipated in the budget.

Expenditures

Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods and services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and as accounts payable. Budgeted transfers to other funds are recorded as expenditures when the budget is adapted to the extent permitted or required by law. Appropriations for principal payments on outstanding bonds and notes are provided on the cash basis; interest is also on the cash basis.



**MANALAPAN FIRE DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Encumbrances**

Encumbrance accounting is used for the General Fund, and capital projects funds. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as reservations of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserve fund balance until liquidated.

**Income Taxes**

As a public body, under existing statutes, the District is exempt from both federal and state taxes.

**Capital Assets**

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at estimated fair market value on the date received. The cost of normal repairs and maintenance are not capitalized.

N.J.S.A.40A: 14-84 governs the procedures for the acquisition of property and equipment for Fire Districts, and N.J.S.A. 40A: 14-85 to 87 governs procedures for the issuance of any debt related to such purchases. In summary, Fire Districts may purchase fire fighting apparatus, equipment, land and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or 2 percent of the assessed valuation of property, whichever is larger.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reports amounts and disclosures. Accordingly, actual results could differ from those estimates.

**MANALAPAN FIRE DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2012**

**NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Cash and cash equivalents consist primarily of petty cash, change funds, and cash on deposit, money market accounts and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market.

**Deposits**

New Jersey statutes require that Fire Districts deposit public funds in contracted depositories located in New Jersey, which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Districts are also permitted to deposit public funds in the State of New Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds, under the Governmental Unit Deposit Protection Act (G.U.D.P.A.) that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000.

Although the pledge securities are not in the name of the district, the deposits are deemed collateralized under New Jersey law, and certificates to eligibility are issued every six months by the public depository under the provisions of G.U.D.P.A.

The carrying amount of the District's cash and cash equivalents at December 31, 2012, was \$223,981 and the bank balance was \$244,981. Of the bank balance, \$244,981 was covered by federal depository insurance and \$0 was covered by a collateral pool maintained by the banks as required by New Jersey statutes.

**MANALAPAN FIRE DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2012**

**NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

The following sets forth the District's cash deposits by category:

Category 1 are deposits covered by federal depository insurance or by collateral held by the District or its agent, in the District's name.

Category 2 are deposits covered by collateral held by the pledging financial institution's trust department, or by its agent, in the District's name.

Category 3 are deposits covered by collateral, held by the pledging financial institution, or its trust department, or its agent but not in the District's name.

	Category		
	1	2	3
Current Fund	\$ 223,981	\$ -	\$ -
Capital Projects	-	-	-
Total	\$ 223,981	\$ -	\$ -

**Investments:**

As of December 31, 2012, the District did not have any investments. New Jersey statutes permit the District to purchase the following types of securities:

- 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 Agency or of any United States Bank for Cooperatives, which have a maturity date not greater than 397 days from the date of purchase.
- c. Bonds or other obligations, of the Township or bonds or other obligations of the Township school district.
- d. Bonds or other obligations, having maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of Treasury for investment by local units.
- e. Local government investment pools, such as New Jersey CLASS, and the New Jersey Arbitrage Rebate Management Program.
- f. Repurchase agreements (repos) of fully collateralized securities, subject to conditions, as indicated in NJSA 40A: 5-15.1(a).
- g. Certificates of deposit at federally insured banks.

**MANALAPAN FIRE DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2012**

**NOTE 3: CAPITAL ASSETS:**

Depreciation is provided over the estimated useful lives using straight-line method of depreciation. The following schedule is a summarization of the changes in general fixed assets for the year ended December 31, 2012.

	Balance Dec. 31, 2011	Additions	Deletions	Balance Dec. 31, 2012
Vehicles in Process	\$ 50,746	\$ -	\$ (50,746)	\$ -
Vehicles	213,819	52,931	-	266,750
Apparatus	1,959,965	623,054	-	2,583,019
Equipment	1,716,182	45,496	-	1,761,678
Leasehold Improvements	1,291,030	13,194	-	1,304,224
Total at historical cost	5,231,742	734,675	(50,746)	5,915,671
Less: Accumulated Depreciation	(3,982,245)	(293,653)	-	(4,275,898)
Capital assets, Net	\$ 1,249,497	\$ 441,022	\$ (50,746)	\$ 1,639,773

**NOTE 4: FINANCE LEASE OBLIGATIONS**

On July 15, 2011, the district entered into a contract to purchase a new fire truck with a purchase price of \$561,307 for delivery in 2012. The annual payments are \$122,669 with interest compounded annually at 3.030%. The approximate aggregate maturities of the lease obligations are as follows:

<u>Year</u>	<u>Total</u>
2013	\$ 108,863
2014	112,161
2015	115,560
2016	119,062
2017 and Thereafter	0
Total	<u>\$ 455,646</u>

Changes in long-term debt obligations for the year ended December 31, 2012 are as follows:

	Balance Dec. 31, 2011	Additions	Reductions	Balance Dec. 31, 2012
Finance Lease Obligations	\$ 6,301	\$ 555,006	\$ 105,661	\$ 455,646

**MANALAPAN FIRE DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2012**

**NOTE 5: PROPERTY TAX LEVIES**

The following is a tabulation of the District's assessed valuation, tax levies and property tax rates per \$100 of assessed valuation for the current and preceding three years:

<u>Year</u>	<u>Assessed Valuation</u>	<u>Total Tax Levy</u>	<u>Tax Rate</u>
2012	3,497,775,700	1,220,611	.035
2011	3,501,058,557	1,302,905	.037
2010	3,508,041,976	1,191,486	.034
2009	3,991,653,242	1,140,116	.029

**NOTE 6: RISK MANAGEMENT**

The District is exposed to various risks or loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District maintains commercial insurance coverage for property, liability and surety bonds.

**NOTE 7: LENGTH OF SERVICE AWARD PROGRAM**

The District adopted a length of service award program in September of 1990. Since the program was adopted before Chapter 338 of the Laws of 1997 the District did not have to have the LOSAP program approved in the 2000 election. The District appropriated \$140,760 in the budget for the current year for this program. 2012 expenditures for the LOSAP program were \$138,123.

**NOTE 8: SUBSEQUENT EVENTS**

The District has evaluated subsequent events for disclosure and recognition through June 19, 2013, the date which these financial statements were available to be issued and has considered any relevant matters in the preparation of financial statements and notes.

**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**Budgetary Comparison Schedules**

MANALAPAN TOWNSHIP FIRE DISTRICT NO. 1  
 BUDGETARY COMPARISON SCHEDULE  
 ACTUAL VS. BUDGETED REVENUES  
 FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Revenues</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance of Actual To Budget</u>
District Taxes	\$ 1,228,502	\$ 1,220,611	\$ 7,891
Interest Income	321	-	321
	<u>\$ 1,228,823</u>	<u>\$ 1,220,611</u>	<u>\$ 8,212</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS



MANALAPAN TOWNSHIP FIRE DISTRICT NO. 1  
 BUDGETARY COMPARISON SCHEDULE  
 ACTUAL VS. BUDGETED EXPENDITURES  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance of Actual to Budget</u>
<u>Operations and Maintenance</u>			
Mandatory Fighter Physicals	\$ 13,205	\$ 28,100	\$ 14,895
Fire Training & Prevention	29,939	33,000	3,061
Legal & Audit	11,558	22,500	10,942
Election Expenses	1,764	1,500	(264)
Commissioners Expense	50,134	61,435	11,301
Radio Communication	30,999	48,300	17,301
Insurance	119,797	109,600	(10,197)
LOSAP	138,123	140,760	2,637
Fire House Rentals	102,496	102,496	-
Truck Operations	89,975	89,000	(975)
Contingent	-	10,000	10,000
Building Utilities & Maintenance	74,181	182,000	107,819
Clothing Allowance	64,000	68,000	4,000
Fire Hydrant Rentals	267,705	273,000	5,295
Paid Positions	<u>52,130</u>	<u>57,200</u>	<u>5,070</u>
Total Operations and Maintenance	1,046,006	1,226,891	180,885
<u>Capital Outlay</u>			
Equipment/Apparatus/Leashold	124,190	84,000	(40,190)
<u>Debt Service</u>			
Lease Principal Payments	105,661	150,000	44,339
Lease Interest	<u>17,008</u>	<u>13,720</u>	<u>(3,288)</u>
Total Debt Service	122,669	163,720	41,051
<b>Total</b>	<b><u>\$ 1,292,865</u></b>	<b><u>\$ 1,474,611</u></b>	<b><u>\$ 181,746</u></b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS