

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

FINANCIAL STATEMENTS

**FOR YEAR ENDED
DECEMBER 31, 2013**

Manalapan Township Board of Fire Commissioners District No. 1

Years Ended December 31, 2013

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report | 1-2 |
| Statement of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Cash Flows | 5 |
| Statement of Functional Expenses | 6 |
| Notes to Financial Statements | 7-10 |
| Required Supplementary Information - Part 1 | 11-12 |
| Required Supplementary Information - Part 2 | 13-15 |
| SINGLE AUDIT SECTION | |
| 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 Accounting Standards | 16-17 |

SIMON & DEITZ, LLC, CPA'S
42 EAST MAIN STREET, SUITE 204
FREEHOLD, NJ 07728-2209
PHONE: (732) 780-3665 FAX: (732) 780-4402
deitzfreeholdcpa@gmail.com www.kendeitzcpa.com

INDEPENDENT AUDITOR'S REPORT

To The Chairman and Board of Directors of Manalapan Township Board of Fire Commissioners District No. 1:

Report on the Financial Statements

We have audited the accompanying financial statements of Manalapan Township Board of Fire Commissioners District No. 1 (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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 of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Manalapan Township Board of Fire Commissioners District No. 1 as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Districts*, is presented for purposes of additional analysis and is not a 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2014, on our consideration of Manalapan Township Board of Fire Commissioners District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Manalapan Township Board of Fire Commissioners District No. 1's internal control over financial reporting and compliance.



SIMON & DEITZ, LLC, CPA's
Certified Public Accountants
Freehold, New Jersey
August 6, 2014

**Manalapan Township Board of Fire Commissioners District No. 1
Government Wide Financial Statements
Statement of Financial Position
December 31, 2013**

| ASSETS | <u>2013</u> |
|---|----------------------------------|
| Cash and cash equivalents | \$ 155,605 |
| Property and equipment, net of accumulated depreciation of \$4,593,122 | 1,567,932 |
| Prepaid expenses | <u>5,851</u> |
| Total assets | <u><u>\$1,729,388</u></u> |
| | |
| LIABILITIES AND NET ASSETS | |
| Lease payable on fire truck | \$ 346,783 |
| Net assets | <u>1,382,605</u> |
| Total liabilities and net assets | <u><u>\$1,729,388</u></u> |

See notes to the financial statements.

Manalapan Township Board of Fire Commissioners District No. 1
Government Wide Financial Statements
Statement of Activities and Change in Net Assets
Year Ended December 31, 2013

| | 2013 |
|---|--------------|
| REVENUE | |
| Income from taxes levied | \$ 1,353,163 |
| Interest Income | 106 |
| Total gains | 1,353,269 |
| EXPENSES | |
| Functional expenses | 1,039,727 |
| Interest on fire truck lease | 13,806 |
| Depreciation | 317,223 |
| Total operating expenses | 1,370,756 |
| Decrease in Net Assets | (17,487) |
| Net Assets at the beginning of the year | 1,400,092 |
| Net Assets at the end of the year | \$ 1,382,605 |

See notes to financial statements.

Manalapan Township Board of Fire Commissioners District No. 1
Government Wide Financial Statements
Statement of Cash Flows
Year Ended December 31, 2013

| | 2013 |
|---|-------------------|
| Cash Flows From Operating Activities | |
| Decrease in net assets | \$ (17,487) |
| Adjustments to reconcile decrease in net assets to net cash provided by operating activities: | |
| Depreciation | 317,223 |
| Prepaid expenses | (5,851) |
| Accounts payable | (8,016) |
| | 285,869 |
| Net cash Provided by operating activities | 285,869 |
| Cash Flows From Investing Activities | |
| Capital purchases | (245,382) |
| | (245,382) |
| Net cash used in financing activities | (245,382) |
| Cash Flows From Financing Activities | |
| Payments on fire truck lease | (108,863) |
| | (108,863) |
| Net cash used in investing activities | (108,863) |
| Net decrease in cash and cash equivalents | (68,376) |
| Cash and cash equivalents, beginning of the period | 223,981 |
| Cash and cash equivalents, end of the period | \$ 155,605 |

See notes to financial statements.

Manalapan Township Board of Fire Commissioners District No. 1
Government Wide Financial Statements
Statement of Functional Expenses
Year Ended December 31, 2013

| | |
|--|----------------------------|
| Compensation for Contracted Salaries | |
| Payroll expenses | \$ 52,298 |
| Length of Service Award Program contribution | <u>143,307</u> |
| Total Salaries | 195,605 |
| Operating Expenses | |
| Fire training | 21,971 |
| Fire prevention | 15,109 |
| Legal and audit | 7,300 |
| Election | 821 |
| Administrative | 40,818 |
| Radio and communication | 34,855 |
| Insurance | 95,546 |
| Fire House Rental | 170,496 |
| Truck operations | 75,444 |
| Supplies | 33,608 |
| Hydrant rental | 274,843 |
| Repair and maintenance | 54,611 |
| State physical | 18,700 |
| Total | <u><u>\$ 1,039,727</u></u> |

See notes to financial statements.

Manalapan Township Board of Fire Commissioners District No. 1
Notes to Financial Statements
Year Ended December 31, 2013

Note 1. Summary of Significant Accounting Policies

District:

The Manalapan Township Board of Fire Commissioners District No. 1 (the "District") was incorporated in the State of New Jersey in March 1962 as a nonprofit District. The District was established to prevent and extinguish fires within Manalapan's Northwest region.

During 2013, the District received all of its revenue through taxes generated from the township. Revenues are subject to township constituent approval.

Basis of Financial Statement Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the District and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the board of trustees or may otherwise be limited by contractual agreements with outside parties.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the District and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction. Currently, the District has no temporarily restricted net assets.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations such that they may be maintained permanently by the District. Currently, the District has no permanently restricted net assets.

Manalapan Township Board of Fire Commissioners District No. 1
Notes to Financial Statements
Year Ended December 31, 2013

Note 1. Summary of Significant Accounting Policies (cont'd)

Cash and Cash Equivalents:

For purposes of the Statements of Cash Flows, the District considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and Equipment:

Purchased property and equipment are capitalized at cost. Expenditures that enhance the useful lives of the assets are capitalized and depreciated. Expenditures for maintenance and repairs are charged to expenses as incurred. Property and equipment are depreciated over their estimated useful lives using the straight-line method. When property and equipment are sold or otherwise disposed of the asset and related accumulated depreciation accounts are relieved and any gain or loss is included in operations.

Contributed Services and The Length of Service Award Program:

No amounts have been reflected in the financial statements for donated services. The District generally pays for services requiring specific expertise. However, many individuals volunteer their time as firefighters and management of the District, but these services do not meet the criteria for recognition as contributed services. The District offers volunteers contributions into The Length of Service Award Program (LOSAP), a system established to provide tax-deferred income benefits to active volunteer members. The fund is the responsibility of, and administered by the taxing authority. The LOSAP account is held in trust by the sponsoring agency, not the District. Therefore, LOSAP money does not go to the volunteer District when an unvested volunteer is permanently separated from service. When a volunteer member who is not vested (less than 5 credited years of service) leaves the District on a permanent basis, that portion of the LOSAP fund being held in his/her unvested account goes back to the sponsoring agency's fund balance, unless the volunteer is granted a leave of absence, which would not constitute or otherwise imply permanent separation. The sponsoring agency can under certain circumstances (if allowed by law and provided in the locally established LOSAP guidelines) grant unvested volunteers with vested status when deemed appropriate to do so (i.e. military service, death of volunteer and other causes). Once a volunteer is completely vested, the funds in such accounts are held in trust by the sponsoring agency on their behalf until time of withdrawal.

Manalapan Township Board of Fire Commissioners District No. 1
Notes to Financial Statements
Year Ended December 31, 2013

Note 1. Summary of Significant Accounting Policies (cont'd)

Management's Use of Estimates and Assumptions:

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Revenue:

Revenue is recorded by the District when the budget is passed. Each year there is a budget which is constructed by the District, presented for approval, and once approved the revenue is recognized.

Federal Income Tax:

The District is exempt from federal income tax under Section 501(c) (4) of the Internal Revenue Code. The District is described in section 170(b) (1) (A) (vi) of the Internal Revenue Code, "an organization which normally receives a substantial part of its support from a governmental unit or from contributions from the general public."

The District regularly reviews and evaluates its tax positions taken in previously filed information returns and as reflected in its financial statements, with regard to issues affecting its tax exempt status, unrelated business income, and related matters. The District believes that in the event of an examination by taxing authorities, the District's positions would prevail based upon the technical merits of such positions. Therefore, the District has concluded that no tax benefits or liabilities are required to be recognized. The District files forms 990 with the Internal Revenue Service and the CRI-300 with the State of New Jersey. The District is generally no longer subject to examination for years before December 31, 2010.

Manalapan Township Board of Fire Commissioners District No. 1
Notes to Financial Statements
Year Ended December 31, 2013

Note 2. Cash and Cash Equivalents

The District maintains its cash in two accounts in a commercial bank located in New Jersey. The Federal Deposit Insurance Corporation (FDIC) insures deposits at the institution up to \$250,000. In addition, New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits to protect deposits from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

Custodial risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2013, based upon the insured balances as provided by FDIC coverage, no amount of the District's bank balance of \$206,249 was considered exposed to custodial risk.

Note 3. Property and Equipment

The following is a summary of property, equipment and leasehold improvements:

| | |
|--------------------------------|---------------------|
| Vehicles and Equipment | \$ 4,856,830 |
| Leasehold Improvements | <u>1,304,224</u> |
| | |
| Total Assets | 6,161,054 |
| Less: Accumulated Depreciation | <u>(4,593,122)</u> |
| | |
| Capital Assets, Net | <u>\$ 1,567,932</u> |

Note 4. Budgetary Comparison Schedule

The Budgetary Comparison Schedule illustrates the Districts financial increases and decreases in contrast to approved budgeted amount.

Note 5. Retained Earnings

The retained earnings balance is based on the prior year ending balance, which was audited by the predecessor accounting firm.

Note 6. Subsequent Events

Subsequent Events were evaluated through July 2, 2014, the date the financial statements were available to be issued. There were no significant events requiring disclosure.

Required Supplementary Information Part 1

Manalapan Township Board of Fire Commissioners District No. 1
Budgetary Comparison Schedule
Actual revenue in contrast to Budgeted
Year Ended December 31, 2013

| | Budget | Actual | Variance |
|---------------------------|---------------------|---------------------|-------------------|
| Amount raised by taxation | \$ 1,345,272 | \$ 1,353,163 | \$ (7,891) |
| Interest income | - | 106 | (106) |
| Total | <u>\$ 1,345,272</u> | <u>\$ 1,353,269</u> | <u>\$ (7,997)</u> |

See notes to financial statements.

Manalapan Township Board of Fire Commissioners District No. 1
Budgetary Comparison Schedule
Actual Expenses in Contrast to Budgeted
Year Ended December 31, 2013

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--------------------------------------|-------------------------|-------------------------|----------------------|
| Administration | | | |
| 1 Fire prevention | \$ 42,000 | \$ 37,080 | 4,920 |
| 2 Legal and audit | 12,500 | 7,300 | 5,200 |
| 3 Election | 1,800 | 821 | 979 |
| 4 Insurance | 117,600 | 95,546 | 22,054 |
| 5 State mandatory physicals | 17,870 | 18,700 | (830) |
| 6 Building utilities and maintenance | 189,000 | 67,704 | 121,296 |
| 7 Commissioner expenses | 11,915 | 40,817 | (28,902) |
| Total administration | <u>\$ 392,685</u> | <u>\$ 267,968</u> | <u>\$ 124,717</u> |
| Cost of operations | | | |
| 8 Truck operation | \$ 99,000 | \$ 75,444 | \$ 23,556 |
| 9 Fire house rental | 170,497 | 170,497 | - |
| 10 Fire hydrant rental | 283,380 | 274,843 | 8,537 |
| 11 Other assets non-bondable | 10,000 | 207,220 | (197,220) |
| 12 Radio and communication | 45,300 | 34,854 | 10,446 |
| 13 Supplies | 84,000 | 33,608 | 50,392 |
| 14 Replacement of Chiefs vehicle | 35,000 | 38,936 | (3,936) |
| Total cost of operations | <u>\$ 727,177</u> | <u>\$ 835,402</u> | <u>\$ (108,225)</u> |
| Other expenses | | | |
| 15 Length of service award program | \$ 152,021 | \$ 143,307 | \$ 8,714 |
| 16 Salaries & Wages | 104,720 | 52,298 | 52,422 |
| 17 Apparatus lease | 108,863 | 108,863 | - |
| 18 Interest on apparatus lease | 13,806 | 13,806 | - |
| | <u>\$ 379,410</u> | <u>\$ 318,274</u> | <u>\$ 61,136</u> |
| Total | <u>\$ 1,499,272</u> | <u>\$ 1,421,644</u> | <u>\$ 77,628</u> |

See notes to financial statements.

Required Supplementary Information Part 2

**Required Supplementary Information Part 1 Manalapan Township Board of Fire
Commissioners District No. 1
Membership of Board of Commissioners
For the year ended December 31, 2013**

Alan Spector
Kenneth S. Kelly
George Schmatz
Lou Caruana
Danny LaRocca

Chairman
Clerk
Treasurer
Commissioner
Commissioner

**Manalapan Township Board of Fire Commissioners District No. 1
Management's Discussion and Analysis
For the year ended December 31, 2013**

Introduction:

As management of the Manalapan Township Board of Fire Commissioners District No. 1 (the "District"), we present an overview of the financial statements in this summary and analysis of the financial activities of the District for year ended December 31, 2013.

Financial Highlights:

- The District's assets exceeded its liabilities at the close of 2013 by \$1,374,590
- The following is a summary of property, equipment and leasehold improvements:

| | |
|--------------------------------|---------------------|
| Vehicles and Equipment | \$ 4,856,830 |
| Leasehold Improvements | <u>1,304,224</u> |
| | |
| Total Assets | 6,161,054 |
| Less: Accumulated Depreciation | <u>(4,593,122)</u> |
| | |
| Capital Assets, Net | <u>\$ 1,567,932</u> |

A majority of the capital assets are used to provide the District with fire-fighting vehicles and equipment for Manalapan's northwest region, and consequently are not available for future spending.

Bondable Capital Assets:

The District's investment in bondable capital assets to replace a vehicle for the year ended December 31, 2013 totals \$38,936.

Non-Bondable Capital Assets:

The District's investment in non-bondable capital assets for the year ended December 31, 2013 totals \$207,220.

District Financial Statements:

The District 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. Simon and Deitz, LLC CPA's, the independent auditors, have expressed an opinion which is included in this report. It is the opinion of management that the financial statements are presented fairly in all material aspects.

Manalapan Township Board of Fire Commissioners District No. 1
Management's Discussion and Analysis (page 2)
For the year ended December 31, 2013

District Financial Statements (continued)

This discussion is intended to serve as an introduction to the District's financial statements. Readers should also review the financial statements and the notes to the financial statements to increase their understanding of the financial performance of the District. The District's financial statements are separated into two categories, government-wide financial statements, and notes to the financial statements.

Government-wide financial statements:

Government-wide financial statements are designed to provide an overview of the financial position of the District. All of the District's activities are reported in this section because the District is fully funded by the township.

The Statements of Financial Position:

The Statements of Financial Position is reflective of all the District's assets and liabilities at year end, and the difference is the District's net position. The largest portion of the District's net position is its investment in capital assets, less their related debt. This statement can be a useful tool to assess the financial direction of the District when compared to prior years.

The Statements of Activities:

The Statements of Activities reflects the District's net position changes throughout the year being reported. This report is based on the accrual bases of accounting, thus the actual cash flow may not occur until a later period.

The Statement of Functional Expenses:

The Statement of Functional Expenses reflects the current year's total expenses on an accrual basis.

Notes to the Financial Statements:

The notes provided additional information which is essential to understanding the financial statements.

Simon & Deitz, LLC, CPA's
42 East Main Street, Suite 204
Freehold, NJ 07728-2209
Phone: (732) 780-3665 Fax: (732) 780-4402
deitzfreeholdcpa@gmail.com www.kendeitzcpa.com

**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**

Officers and Board of Directors of Manalapan Township Board of Fire Commissioners District No. 1:

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 Manalapan Township Board of Fire Commissioners District No. 1 (a nonprofit District), which comprise the statement of financial position as of December 31, 2013 and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 6, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Manalapan Township Board of Fire Commissioners District No. 1's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Manalapan Township Board of Fire Commissioners District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Manalapan Township Board of Fire Commissioners 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 Board of Fire Commissioners 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 Manalapan Township Board of Fire Commissioners District No. 1'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



SIMON & DEITZ, LLC, CPA'S
Certified Public Accountants
Freehold, New Jersey
August 6, 2014