

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

Financial Statements and Supplementary Schedules

For the year ended December 31, 2015

(With Independent Auditor's Report thereon)

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
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(With Independent Auditor's Report thereon)

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INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District No. 1 of the Township of Manalapan
County of Monmouth
Manalapan, New Jersey 07726

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 1 of the Township of Manalapan, County of Monmouth, State of New Jersey, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the 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 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 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; and in compliance with audit standards prescribed by the Local Finance Board and 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Unmodified
Debt Service Fund	Unmodified
Fiduciary Funds	Unmodified

Basis for Qualified Opinion on Governmental Activities

As more fully described in Note 2 I to the financial statements, the District has not adopted a methodology for tracking capital assets purchased at historical cost less accumulated depreciation. In our opinion, such assets should be stated at historical cost, net of depreciation on equipment, vehicles, buildings and building improvements, to conform with accounting principles generally accepted in the United States of America. The effect of this departure on the financial statements was not available upon issuance of this report.

Qualified Opinion on Governmental Activities

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 1 of the Township of Manalapan, County of Monmouth, State of New Jersey, as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the Fire District No. 1 of the Township of Manalapan, as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 2 to the financial statements, during the year ended December 31, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No.27. and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

Fiduciary Funds Prior Period Restatement

As described in Note 11, Fire District No. 1 of the Township of Manalapan's fiduciary funds as of December 31, 2014 were not recorded in accordance with N.J.A.C. 5:31-7-1. The District corrected this with an adjustment to the prior year's fiduciary funds in the amount of \$1,381,717. Our opinion has not been modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents 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 audit 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2016 on our consideration of the Fire District No. 1 of the Township of Manalapan'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 Fire District No. 1 of the Township of Manalapan's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON PC
HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

May 25, 2016
Toms River, New Jersey



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**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**

Board of Commissioners of
Fire District No. 1 of the Township of Manalapan

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 and audit requirements as prescribed by Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the District as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 25, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of District'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did identify deficiency in internal control that we consider to be a material weakness as described in the accompanying comments and recommendations as item 2015-001. We did not identify any other deficiencies in internal control that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether District'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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in the accompanying comments and recommendations as item 2015-001.

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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Audit Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

May 25, 2016
Toms River, New Jersey

**MANALAPAN TOWNSHIP FIRE DISTRICT NO. 1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

As management of Manalapan Township Fire District No. 1, we offer readers of the Manalapan Fire District No. 1 financial statements this narrative overview and analysis of the financial activities of the Manalapan Township Fire District No. 1 for the year ended December 31, 2015. The intent of this narrative is to look at Manalapan Township Fire District No. 1's overall financial performance in terms easily understood by the lay person. Please read this in conjunction with the transmittal letters beginning on page 1 and the District's financial statements which begin on page 14. Notes to the financial statements will provide the reader with additional useful information and they begin on page 21.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at December 31, 2015 by approximately \$1.24 million. In 2014 the excess was approximately \$1.26 million. This is a decrease of approximately \$16,500.
- During 2015 Manalapan Township Fire District No. 1 operated at a surplus of approximately \$44,700. The deficit in 2014 was approximately \$122,200. This is an increase of approximately \$167,000.
- The Board did not spend any Capital funds in 2015.
- The Board implemented GASB 68 in 2015 that resulted in a prior period adjustment of approximately \$61,200.
- The Board retained the services of a different auditing firm for 2015.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. Manalapan Township Fire District No. 1's basic financial statements are comprised of three components: district-wide financial statements; fund financial statements; and notes to the basic financial statements.

Reporting on the District as a Whole

Our analysis of the District as a whole begins on page 7. District-wide financial statements are provided to give the reader a broad overview of the District's financial position and its financial activity for the year. It is presented in a format similar to the private sector to give the reader a familiar point of reference.

The Statement of Net Position presents information on all the assets and liabilities of Manalapan Township Fire District No. 1. The difference between the assets and liabilities is reported as the District's net position. Significant increases or decreases in the District's net position can be an indication of the financial health of the District.

The Statement of Activities presents financial information about activities that result in the District's net position increasing or decreasing during the year. Financial activities are recorded when the transactions occur rather than when the cash is received or paid out. As a result, there could be activities that result in cash flow in a future period.

The district-wide financial statements report on the financial data by function. Manalapan Township Fire District No. 1 has two basic functions: activities that are supported by property taxes; and activities supported by other governmental activities. Manalapan Township Fire District No. 1 provides firefighting services to the citizens of Manalapan Township.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, Manalapan Township Fire District No. 1 uses fund accounting to document compliance with finance-related legal matters. Manalapan Township Fire District No. 1 has two types of fund groups; they are the governmental funds and fiduciary funds.

Governmental Funds

Manalapan Township Fire District No. 1's activities are reported in governmental funds. These funds record the flow of cash in and out of the District during the period and the balances remaining at year end for future periods. The modified accrual basis of accounting is utilized for reporting purposes. This method of accounting measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services that it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's services.

Manalapan Township Fire District No. 1 maintains two separate government funds, the general fund and the debt service fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and the debt service fund.

The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.

As required by N.J.S.A. 40A:14:78-3, Manalapan Township Fire District No. 1 adopts an annual budget which is voted on by the legal voters of the district on the third Saturday in February. Budgetary comparison schedules have been prepared to document compliance with budgetary requirements.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements are an integral part of the financial statements.

DISTRICT-WIDE FINANCIAL ANALYSIS

Manalapan Township Fire District No. 1's net position is a useful indicator of the District's financial condition. At the end of 2015 the District's assets exceeded the liabilities by approximately \$1.24 million. The largest portion of Manalapan Township Fire District No. 1's net assets (78.1%) is its investment in fixed assets. The District uses these assets to provide fire-fighting services to the community; consequently, these assets are not available for future spending. Manalapan Township Fire District No. 1's investment in capital assets is reported net of related debt. Since the capital assets are not available to liquidate the debt, other sources must be utilized for the repayment of the debt, if any. The District had no debt as of December 31, 2015.

Statement of Net Position

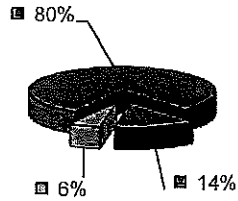
MANALAPAN TOWNSHIP FIRE DISTRICT NO. 1
NET POSITION
DECEMBER 31, 2015

	2015	2014	\$ Increase (Decrease)	% Increase (Decrease)
Current and Other Assets	\$ 327,769	\$ 151,601	+176,168	+116.2%
Fixed Assets	<u>1,166,105</u>	<u>1,342,462</u>	(176,357)	(13.1%)
Total Assets	1,493,874	1,494,063	(189)	(0.0%)
Other Liabilities	<u>(249,995)</u>	<u>(233,679)</u>	+16,316	+7.0%
Net Position	<u>\$1,243,879</u>	<u>\$1,260,384</u>	(16,505)	(1.3%)

Analysis of Net Position

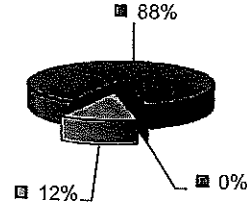
Invested in General Fixed				
Assets Net of Related Debt	\$ 996,031	\$1,108,783	(112,752)	(10.2%)
Restricted for subsequent period	179,851	- 0 -	+179,851	+100.0%
Unrestricted	<u>67,997</u>	<u>151,601</u>	(83,604)	(55.1%)
Total Net Position	<u>\$1,243,879</u>	<u>\$1,260,384</u>	(16,505)	(1.3%)

2015 Net Position



■ Invested in Fixed Assets ■ Subsequent Year
 ■ Unrestricted

2014 Net Position



■ Invested in Fixed Assets ■ Subsequent Year
 ■ Unrestricted

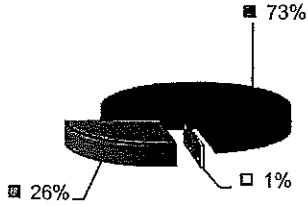
The net position of Manalapan Township Fire District No. 1 decreased approximately \$16,500 during the 2015 period. This decrease was due primarily to implementation of GASB 68 in 2015. Other major changes in net assets at December 31, 2015 were depreciation and surplus.

Governmental Activities

The Statement of Activities shows the cost of the governmental activities program services and the charges for services and grants offsetting these costs. A summary of these activities follows:

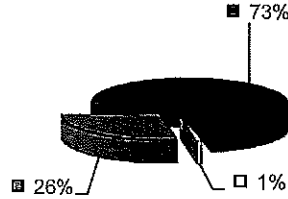
Expenses	2015	2014	\$ Increase (Decrease)	% Increase (Decrease)
Program Expenses				
Administrative Expenses	\$ 365,682	\$ 400,825	(35,143)	(8.8%)
Cost of Operations & Maintenance	1,010,916	1,094,061	(83,145)	(7.6%)
Interest Expense	<u>7,206</u>	<u>10,633</u>	(3,427)	(32.2%)
Total Program Expenses	1,383,804	1,505,519	(121,715)	(8.1%)

2015 Program Expenses



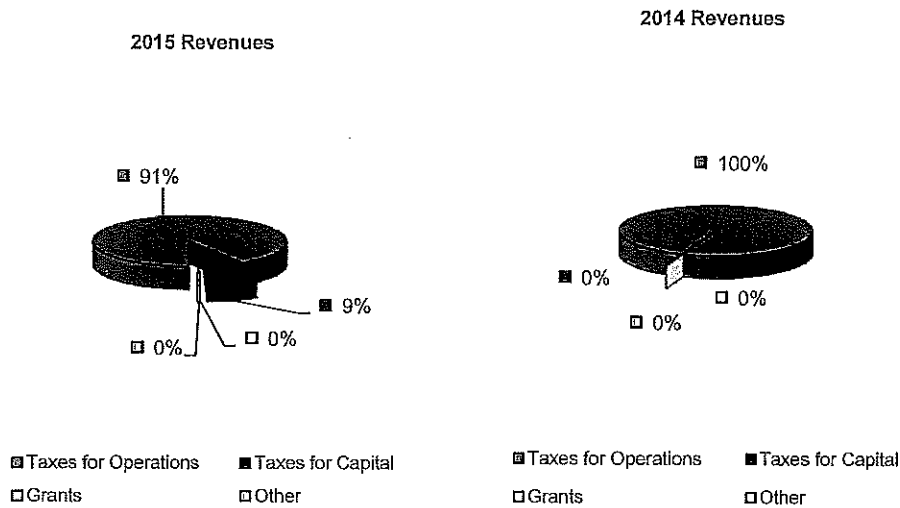
■ Administrative ■ Operations □ Interest

2014 Program Expenses



■ Administrative ■ Operations □ Interest

	2015	2014	\$ Increase (Decrease)	% Increase (Decrease)
General Revenues				
Property Taxes Levied for General Purposes	1,296,918	1,383,211	(86,293)	(6.2%)
Property Taxes Levied for Capital Purchases	123,737	- 0 -	+123,737	+100.0%
Other Revenues	<u>7,891</u>	<u>87</u>	+7,804	+8970.1%
Total General Revenues	<u>1,428,546</u>	<u>1,383,298</u>	+45,248	+3.3%
Increase(Decrease) in Net Position	44,742	(122,221)	166,963	+63.4%
Net Position, January 1	<u>1,260,384</u>	<u>1,382,605</u>	(122,221)	(8.8%)
Prior Year Adjustment	(61,247)	- 0 -	(61,247)	(100.0%)
Net Position, January 1 – as restated	<u>1,199,137</u>	<u>1,260,384</u>	(61,247)	(4.9%)
Net Position, December 31	<u>\$1,243,879</u>	<u>\$1,260,384</u>	(16,505)	(1.3%)



Property tax revenue constituted 99% of the total governmental activities revenues received by Manalapan Township Fire District No. 1 in 2015. In 2014 the property tax revenue also constituted 100% of total revenues.

The Cost of Operations & Maintenance was 73% and 73% of the District's total expenses in 2015 and 2014, respectively. Administration expenses equaled 26% and 26% of the total expenses in 2015 and 2014, respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

Manalapan Township Fire District No. 1 uses fund accounting to document compliance with finance-related legal requirements.

Government Fund

The primary objective of the District's governmental funds is to report on cash flows in and out during the period and the ending balances of the spendable resources. This information is useful to evaluate the performance of the District and to assess its future needs and available resources. The prior auditor did not include fund statements in the audit report so no comparison will be reported here.

As of December 31, 2015, the combined balance of the governmental cash funds of Manalapan Township Fire District No. 1 was approximately \$261,400. The funds realized a combined surplus for the year of approximately \$88,400.

The combined balance of the governmental funds of Manalapan Township Fire District No. 1 was approximately \$240,000. The Board did not have any undesignated General Funds at 2015. The Commissioners designated \$179,851 of general funds for utilization in the 2016 budget.

General Fund Budgetary Highlights

The Board presented a balanced budget to the voters for approval, which was approved. The Board had to utilize \$154,000 of the accumulated surplus in the General Fund to balance the budget. The balance of accumulated surplus is available for future budget periods.

The District had total revenues in excess of expenditures of approximately \$88,400 in 2015, and approximately \$144,100 in 2014. The year ending December 31, 2015 is expected to generate a small surplus also.

Administrative actual expenses were approximately 25.3% less than projected in 2015. Operating expenses were approximately 11.5% less than projected in 2015.

The Board had no Capital purchases in 2015.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2015 Manalapan Township Fire District No. 1 had invested in capital assets for government activities \$1,166,105 (net of accumulated depreciation). Capital assets consist of fire apparatus and equipment.

MANALAPAN TOWNSHIP FIRE DISTRICT NO. 1
CAPITAL ASSETS
(NET OF ACCUMULATED DEPRECIATION)
DECEMBER 31, 2015

	2015	2014	Change
Vehicles & Apparatus	\$2,997,715	\$2,944,136	+53,579
Fire Equipment	1,914,216	1,901,504	+12,712
Buildings & Improvements	<u>1,430,877</u>	<u>1,414,347</u>	+16,530
	6,342,808	6,259,987	+82,821
Accumulated Depreciation	<u>(5,176,703)</u>	<u>(4,913,394)</u>	+263,309
Investment in Capital Assets -- net	<u>\$1,166,105</u>	<u>\$1,346,593</u>	(180,488)

Additional information on Manalapan Township Fire District No. 1's capital assets can be found in Note 5 in the notes to the financial statements.

Long-Term Obligations

Manalapan Township Fire District No. 1 has no long term obligations.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

In 2015, Manalapan Township Fire District No. 1 was able to cover all its appropriations through the fire tax levy and other revenues. In 2015 the fire tax levy amounted to 99% of total revenue collected.

In 2015 Manalapan Township Fire District No. 1 adopted their 2015 budget on January 13, 2016. The voters subsequently approved the budget at the February election. The Board is utilizing \$194,000 of General Fund surplus in the 2016 budget to avoid any increase in the tax levy.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Manalapan Township Fire District No. 1's finances for all of those with an interest in the District's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Kenneth Kelly, Manalapan Township Fire District No. 1, 683 Tennent Road, Manalapan, New Jersey, 07726.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Statement of Net Position
December 31, 2015

	Governmental Activities
	<u>2015</u>
Assets:	
Current assets:	
Cash	\$ 261,366
Prepaid insurance	59,456
Total current assets	320,822
Capital assets (net of depreciation)	1,166,105
Total assets	1,486,927
Deferred outflows of resources:	
Deferred outflows related to pension	6,947
Total deferred outflows of resources	6,947
Total assets and deferred outflows of resources	1,493,874
Liabilities:	
Current liabilities:	
Accounts payable	10,357
Accrued professional fees	9,000
Accrued pension	2,027
Capital leases payable	117,148
Total current liabilities	138,532
Noncurrent liabilities:	
Net pension liability	52,926
Total noncurrent liabilities	52,926
Total liabilities	191,458
Deferred inflows of resources:	
Deferred inflows related to pension	58,537
Total deferred inflows of resources	58,537
Total liabilities and deferred inflows of resources	249,995
Net position:	
Net investment in capital assets	996,031
Unreserved net position	67,997
Unreserved assigned for subsequent year's expenditures	179,851
Total net position	\$ 1,243,879

The accompanying notes are an integral part of these financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Statement of Activities
For the year ended December 31, 2015

	Governmental Activities
	<u>2015</u>
Government activities:	
Operation appropriations:	
Administration	\$ 365,682
Costs of operations and maintenance	1,010,916
Interest expense	7,206
	1,383,804
Total government activities	1,383,804
General revenues:	
Miscellaneous revenue	7,891
Amount raised by taxation	1,420,655
	1,428,546
Total general revenues	1,428,546
Change in net position	44,742
Net position, January 1	1,260,384
Prior period adjustment	(61,247)
	1,199,137
Net position, January 1 (restated)	1,199,137
Net position, December 31	\$ 1,243,879

The accompanying notes are an integral part of these financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Balance Sheet
Governmental Funds
December 31, 2015

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>December 31, 2015</u>
Assets:			
Cash	\$ 261,366	\$ -	\$ 261,366
Total assets	<u>261,366</u>	<u>-</u>	<u>261,366</u>
Liabilities, equity and other credits:			
Accounts payable	10,357	-	10,357
Accrued professional fees	9,000	-	9,000
Accrued pension	2,027	-	2,027
Total liabilities	<u>21,384</u>	<u>-</u>	<u>21,384</u>
Fund balances			
Assigned for:			
Other purposes	60,131	-	60,131
Subsequent year's expenditures	179,851	-	179,851
Total fund balance	<u>239,982</u>	<u>-</u>	<u>239,982</u>
Total liabilities and fund balance	<u>\$ 261,366</u>	<u>\$ -</u>	

Amounts reported for governmental activities in the statement of net position (A-1) are different because:

Prepaid insurance is reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is expensed over the term of the policy as insurance expense.

59,456

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$6,342,808 and the accumulated depreciation is \$5,176,703.

1,166,105

Deferred outflows and inflows of resources related to pension are applicable to future reporting periods and, therefore, are not reported in the funds.

(51,590)

Long-term liabilities, capital leases payable and net pension liability, are not due and payable in the current period and are therefore not reported as liabilities in the funds.

(170,074)

Net assets of governmental activities

\$ 1,243,879

The accompanying notes are an integral part of these financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the year ended December 31, 2015

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>December 31, 2015</u>
Revenues:			
Investment income	\$ 139	-	\$ 139
Other revenue	7,752	-	7,752
Total miscellaneous revenues	7,891	-	7,891
Total revenues	7,891	-	7,891
Amount raised by taxation to support district budget	1,296,918	123,737	1,420,655
Total anticipated revenues	1,304,809	123,737	1,428,546
Expenditures:			
Operating appropriations:			
Administration:			
Salaries and wages	53,324	-	53,324
Fringe benefits	2,027	-	2,027
Other expenditures:			
Professional fees	16,150	-	16,150
Fire prevention and training	18,520	-	18,520
Insurance	136,212	-	136,212
Building utilities and maintenance	95,450	-	95,450
Elections	838	-	838
Office supplies	43,161	-	43,161
Total administration	365,682	-	365,682
Cost of operations and maintenance:			
Other expenditures:			
Truck operations	72,821	-	72,821
Fire house rentals	170,497	-	170,497
Fire hydrant rentals	283,980	-	283,980
Equipment, radios and communications	88,079	-	88,079
Medical fees	15,560	-	15,560
Other non-bondable assets	50,844	-	50,844
Total cost of operations and maintenance	681,781	-	681,781
Length of service award program	168,965	-	168,965
Debt service for capital appropriations:			
Capital leases	-	116,531	116,531
Interest on capital leases	-	7,206	7,206
Total debt service for capital appropriations	-	123,737	123,737
Total operating appropriations	1,216,428	123,737	1,340,165
Excess (efficiency) of revenues over (under) expenditures	88,381	-	88,381
Fund balance, January 1	151,601	-	151,601
Fund balance, December 31	\$ 239,982	\$ -	\$ 239,982

The accompanying notes are an integral part of these financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance in
the Governmental Funds to the Statement of Activities
December 31, 2015

Total net changes in Fund Balance-Governmental Funds (B-2)	\$	88,381
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Amounts reported for governmental activities in the statement of activities (A-2) are different because:

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.

Capital Outlays-General Fund	82,821	
Depreciation Expense	<u>(263,310)</u>	(180,489)

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		116,531
--	--	---------

Prepaid insurance is reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is expensed over the term of the policy as insurance expense.

	Prior year	(39,137)	
	Current year	<u>59,456</u>	<u>20,319</u>

Changes in net position of governmental activities	\$	<u>44,742</u>
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FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Fiduciary Funds
Statement of Net Position
Length of Service Award
December 31, 2015

	December 31, <u>2015</u>
Assets:	
Investments	<u>\$ 1,534,857</u>
Total assets	<u>1,534,857</u>
Net position	
Reserved:	
For Length of Service Award Program	<u>1,534,857</u>
Total net position	<u><u>\$ 1,534,857</u></u>

The accompanying notes are an integral part of these financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Length of Service Award
For the year ended December 31, 2015

	December 31, <u>2015</u>
Revenues and Other Financing Sources:	
District contributions	\$ 168,965
Interest income	42,221
Total revenues and other financing sources	211,186
Expenditures:	
Administrative fees and refunds	9,667
Withdrawals	61,695
Total expenditures	71,362
Excess of revenues and other financing sources over expenditures	139,824
Fund balance, January 1	-
Prior period restatement	1,395,033
Fund balance, January 1, as restated	1,395,033
Fund balance, December 31	\$ 1,534,857

The accompanying notes are an integral part of these financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements
For the year ended December 31, 2015

NOTE 1: GENERAL INFORMATION

A. Description of Reporting Entity

Fire District No. 1 of the Township of Manalapan is a political subdivision of the Township of Manalapan, County of Monmouth, State of New Jersey. A board of five commissioners oversees all of the operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of every February.

Fire Districts are governed by the *N.J.S.A. 40A: 14-70* et al. and are taxing authorities charged with the responsibility of providing the resources necessary to provide fire fighting services to the residents within its territorial location.

Fire District No. 1 of the Township of Manalapan 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.

B. District Officials

The District is governed by a board of five commissioners. The following were in office at December 31, 2015:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
Lou Caruana	2018
Ken Kelly	2018
Daniel LaRocca	2016
George Schmatz	2017
Alan Spector	2016

C. Accounting Records

The official accounting records of the Fire District No. 1 of the Township of Manalapan are maintained in the office of the District.

D. Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

E. Component Units

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 whether:

- ◆ the organization is legally separate (can sue or be sued in their own name)
- ◆ the District holds the corporate powers of the organization
- ◆ the District appoints a voting majority of the organization's board
- ◆ the District is able to impose its will on the organization

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 1: GENERAL INFORMATION (continued)

E. Component Units (continued)

- ◆ the organization has the potential to impose a financial benefit/burden on the District
- ◆ there is a fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of the Fire District conform to generally accepted accounting principles (GAAP) applicable to governmental funds of state and local governments in accordance with the provisions of N.J.A.C. 5:31-7-1. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

The basic financial statements report using the economic resources measurement focus and the accrual basis of accounting generally includes the reclassification or elimination of internal activity (between or within funds). Fiduciary fund financial statements also report using the same focus. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. The tax revenues are recognized in the year for which they are levied (see Note 2N) while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon thereafter, within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

B. Fund Accounting

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."

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

Governmental Funds:

General Fund

The General Fund is the general operating fund of the Fire District and is used to account for the inflows and outflows of financial resources. 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.

Debt Service Fund

The Debt Service Fund is used to account for resources that will be used to service general long-term debt.

C. District Wide and Fund Financial Statements

District Wide Financial Statements

The district-wide financial statements (A-1 and A-2) include the statement of net position and the statement of activities. These statements report financial information of the District as a whole excluding the fiduciary activities. All inter-fund activity, excluding the fiduciary funds, has been eliminated in the statement of activities. Individual funds are not displayed but the statements distinguish governmental activities as generally supported through taxes and user fees.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. The District does not allocate general government (indirect) expenses to other functions.

Net position is restricted when constraints placed on it is either externally imposed or imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Fund Financial Statements

The fund financial statements provide detail of the governmental and fiduciary funds.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and private purpose trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net position.

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, private purpose 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. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues. 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.

In its accounting and financial reporting, the Fire District No. 1 of the Township of Manalapan follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB).

E. Budgets and Budgetary Accounting

The Fire 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 no 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 Fire District. 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 majority vote, adopt the budget.

Amendments may be made to the Fire District budget in accordance with N.J.S.A 40A: 14-78.3.

Subsequent to the adoption of the Fire District budget, the amount of money to be raised by taxation in support of the Fire District budget must appear on the ballot for the annual election for approval of the legal voters.

Fire Districts have a prescribed budgetary basis to demonstrate legal compliance. However, budgets are adopted on principally the same basis of accounting utilized for the preparation of the Fire Districts general-purpose financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. 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. Open encumbrances, other than in the special revenue fund, are reported as reservations of fund balances at year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current year-end. The encumbrances at December 31, 2015 totaled \$27,435 in the general fund and \$12,696 in the capital projects fund.

G. Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds and cash in banks. All certificates of deposit are recorded as cash regardless of the date of maturity. Fire Districts are required by N.J.S.A. 40A: 5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey organized under the laws of the United States or of the State of New Jersey or with the New Jersey Cash Management Fund. N.J.S.A. 40A: 5-15.1 provides a list of investments that may be purchased by Fire Districts.

N.J.S.A. 17:9-42 requires New Jersey governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the provision 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 the State of New Jersey.

Public funds are defined as the funds of any governmental unit. Public depositories include savings and loan institutions, banks (both State and National banks) and savings banks the deposits of which they are federally insured. All public depositories must pledge collateral, having a market value of five percent of its average daily balance of collected public funds, to secure the deposits of governmental units. If public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

H. Prepaid Expenses

Prepaid expenses that benefit future periods are recorded as an expenditure during the year of purchase.

I. Debt Limitation

N.J.S.A.40A:14-84 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.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Capital Assets

Capital assets, which include land, building, improvements, and equipment, are reported in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. The District has set capitalization thresholds for reporting capital assets, of \$2,000.

Depreciation is recorded on the straight-line method over the useful lives of the assets as follows:

Building and Improvements	10 to 25 Years
Equipment	5 to 10 Years
Trucks and vehicles	5 to 25 Years

K. Inventory, Materials and Supplies

The inventory on hand at any time is small. Accordingly, purchases are charged directly to fixed assets or to maintenance costs, as applicable.

L. Interfund Receivable/Payable

Interfund receivables and payables that arise from transactions between funds that are due within one year are recorded by all funds affected by such transactions in the periods in which the transaction is executed.

M. Revenues and Expenditures

Revenues are recorded when they are determined to be both available and measurable. Generally, fees and other non-tax revenues are recognized when qualifying expenditures are incurred.

Expenditures are recorded when the related liability is incurred, if measurable, except for un-matured interest on general long-term debt, which is recognized when due.

N. Fire District Taxes

Upon proper certification to the assessor of the municipality in which the Fire District is located, the assessor shall assess the amount of taxes to be realized in support of the Fire District's budget in the same manner as all other municipal taxes. The collector or treasurer of the municipality shall then pay over to the treasurer or custodian of funds of the Fire District the taxes assessed in accordance with the following schedule: on or before April 1, an amount equaling 21.25% of all monies assessed, on or before July 1, an amount equaling 22.5% of all monies assessed, on or before October 1, an amount equaling 25% of all monies assessed and on or before December 31 an amount equal to the difference between the total of all monies assessed and the total of monies previously paid over.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Fund Equity

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Fire District No. 1 of the Township of Manalapan classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by external parties, constitutional provision or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making District and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Business Administrator.
- Unassigned – includes balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

P. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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.

Q. Net Position

Net position, represents the difference between summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified in the following three components:

- Net Investment in Capital Assets – This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- Restricted – Net position is 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.
- Unrestricted – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, 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.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

S. Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

For the year ended December 31, 2015, the District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* – (Amendment to GASB Statement No. 27) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of the Statements requires the District to report as an asset and/or a liability its portion of the collective net pension's asset and liability of the New Jersey Public Employees' Retirement System (PERS). The implementation of the Statements also requires the District to report a deferred outflow and/or inflow for the effect of the net change in the District's proportion of the collective net pension asset and/or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

Recently Issued and Adopted Accounting Pronouncements

The District has adopted and implemented all current standards of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2015.

GASB has issued Statement No. 72, *Fair Value Measurement and Application*, effective for the year ending June 30, 2016

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*, effective for the year ending December 31, 2018. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans.

GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending December 31, 2016.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 3: CASH (continued)

Deposits:

Demand Deposits	\$ 261,366
Total Deposits	<u>\$ 261,366</u>

Reconciliation to Governmental Fund Statements:

Governmental Funds	\$ 261,366
Total	<u>\$ 261,366</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2015, the District's bank balance of \$306,693 was insured or collateralized as follows:

Insured	\$ 250,000
Collateralized in the District's name under GUDPA	<u>56,693</u>
Total	<u>\$ 306,693</u>

NOTE 4: INVESTMENTS

A. Custodial Credit Risk

For an investment, custodial credit risk is a risk that, in the event of the failure of the counterparty, the Fire District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Fire District, and are held by either the counterparty or the counterparty's trust department or agent but not in the Fire District's name. All of the District's investments are held in the name of the District and are collateralized by GUDPA.

B. Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Fire District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at December 31, 2015, are provided in the below schedule.

C. Investment Credit Risk

The Fire District has no investment policy that limits its investment choices other than the limitation of state law as follows:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 4: INVESTMENTS (continued)

C. Investment Credit Risk (continued)

- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Fire District or bonds or other obligations of the local unit or units within which the Fire District is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Fire District;
- Local Government investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities.

The following table sets forth by level, within the value hierarchy, the District's assets at fair value at December 31, 2015:

<i>Assets at Fair Value as of December 31, 2015</i>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
LOSAP:				
Guaranteed Interest Account	\$ -	\$ -	\$ 1,534,857	\$ 1,534,857
Total LOSAP	<u>-</u>	<u>-</u>	<u>1,534,857</u>	<u>1,534,857</u>
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,534,857</u>	<u>\$ 1,534,857</u>

Level III Gains and Losses

The following table sets forth a summary of changes in the fair value of the LOSAP's Level III assets for the year ended December 31, 2015:

<i>Level 3 Assets</i>	
<i>Year Ended December 31, 2015</i>	
	<u>Guaranteed Interest Account</u>
Balance, beginning of year	\$ 1,395,033
Purchases, sales, issuances, and settlements (net)	107,270
Gain and (losses)	<u>32,554</u>
Balance, end of year	<u>\$ 1,534,857</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 5: CAPITAL ASSETS

Fixed assets consisted of the following at December 31, 2015:

	Beginning Balance	Additions	Retirements	Ending Balance
Equipment	\$ 1,901,504	\$ 12,712	\$ -	\$ 1,914,216
Buildings and improvements	1,414,347	16,530	-	1,430,877
Trucks and vehicles	2,944,136	53,579	-	2,997,715
Totals at historical cost	<u>6,259,987</u>	<u>82,821</u>	<u>-</u>	<u>6,342,808</u>
Less: accumulated depreciation:				
Equipment	(1,435,236)	(127,912)	-	(1,563,148)
Buildings and improvements	(1,109,535)	(50,212)	-	(1,159,747)
Trucks and vehicles	<u>(2,368,623)</u>	<u>(85,185)</u>	<u>-</u>	<u>(2,453,808)</u>
Total accumulated depreciation	<u>(4,913,394)</u>	<u>(263,309)</u>	<u>-</u>	<u>(5,176,703)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>\$ 1,346,593</u>	<u>\$(180,488)</u>	<u>\$ -</u>	<u>\$ 1,166,105</u>

N.J.S.A. 40A: 14-84 governs the procedures for the acquisition of property and equipment for the Fire Districts, and the *N.J.S.A. 40A: 14-85-87* 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 five mills on the dollar of the least assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or two percent of the assessed valuation of property, whichever is larger.

NOTE 6: NONCURRENT LIABILITIES

During the fiscal year ended December 31, 2015, the following changes occurred in liabilities reported in long-term debt:

	Balance 12/31/14	Accrued/ increases	Retired/ decreases	Balance 12/31/15	Due within one year
Capital leases	\$ 233,679	\$ -	\$ 116,531	\$ 117,148	\$ 117,148
Net pension liability	93,638	-	40,712	52,926	-
	<u>\$ 327,317</u>	<u>\$ -</u>	<u>\$ 157,243</u>	<u>\$ 170,074</u>	<u>\$ 117,148</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 7: PENSION OBLIGATIONS

A. Public Employees' Retirement System (PERS)

Plan Description - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the 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/annrprts.shtml.

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

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 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.

Allocation Methodology and Reconciliation to Financial Statements - GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, requires participating employers in the New Jersey Public Employees' Retirement System (PERS) to recognize their proportionate share of the collective net pension liability, collective deferred outflows and inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented and applied are based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2014 through June 30, 2015. The employer allocation percentages have been rounded for presentation purposes, therefore amounts may result in immaterial differences. Contributions from employers are recognized when due, based on statutory requirements.

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.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 7: PENSION OBLIGATIONS (continued)

A. Public Employees' Retirement System (PERS) (continued)

Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015 and 2014, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	<u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
12/31/2015	\$ 2,027	100%	\$ 52,926
12/31/2014	\$ 4,123	100%	\$ 93,638
12/31/2013	\$ 4,666	100%	\$ 118,353

Components of Net Pension Liability - At December 31, 2015, the District reported a liability of \$52,926 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2015. The District's proportion measured as of June 30, 2015, was .00024%, which was a decrease of .00026% from its proportion measured as of June 30, 2014.

Collective Balances at December 31, 2015 and December 31, 2014

	<u>12/31/2015</u> July 1, 2014	<u>12/31/2014</u> July 1, 2013
Actuarial valuation date		
Deferred Outflows of Resources	\$ 6,947	\$ 2,944
Deferred Inflows of Resources	\$ 58,537	\$ 24,813
Net Pension Liability	\$ 52,926	\$ 93,638
District's portion of the Plan's total net pension Liability	0.00024%	0.00050%

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 7: PENSION OBLIGATIONS (continued)

A. Public Employees' Retirement System (PERS) (continued)

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended December 31, 2015, the District recognized pension expense of \$20,183. At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 5,684	\$ -
Net difference between expected and actual experience	1,263	-
Net difference between projected and actual earnings on pension plan investments	-	851
Changes in proportion and differences between District contributions and proportionate share of contributions	-	57,686
Total	\$ 6,947	\$ 58,537

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension credits as follows:

<u>Year Ended June 30:</u>	<u>PERS</u>
2016	\$ (11,489)
2017	(11,489)
2018	(11,489)
2019	(10,094)
2020	(7,029)
Thereafter	-

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 7: PENSION OBLIGATIONS (continued)

A. Public Employees' Retirement System (PERS) (continued)

	<u>PERS</u>
Measurement date	June 30, 2015
Actuarial valuation date	July 1, 2014
Investment rate of return	7.90%
Salary increases:	2012-2021 - 2.15-4.40% based on age Thereafter - 3.15-5.40% based on age
Inflation rate	3.04%

Mortality rates were based on the RP-2000 Combined Healthy Male or Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) 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. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic 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:

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 7: PENSION OBLIGATIONS (continued)

A. Public Employees' Retirement System (PERS) (continued)

<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 Credit	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%
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rates and that contributions from employers will be made 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 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 (3.90%) or 1-percentage-point higher (5.90%) than the current rate:

	<u>1% Decrease</u> <u>(3.90%)</u>	<u>Current Discount</u> <u>Rate (4.90%)</u>	<u>1% Increase</u> <u>(5.90%)</u>
District's proportionate share of the net pension liability	\$ 65,780	\$ 52,926	\$ 42,149

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 8: LENGTH OF SERVICE AWARDS PROGRAM

The Fire District's Length of Service Awards Program (LOSAP) provides tax deferred income benefits to active volunteer firefighters. The plan is intended to comply with Section 457(e)(11)(A)(ii) of the Internal Service Code of 1986, as amended.

The District has a contractual obligation to pay the LOSAP benefits to eligible members. Assets that are designated to pay the LOSAP benefits are available to the unsecured creditors of the District. As such, the assets and liabilities of the LOSAP are included in the financial statements of the District as an agency fund.

The actuarial present value of accrued plan benefits is determined by an actuary from JF Actuarial Services, Inc. and is the amount that results from applying actuarial assumptions to adjust the accrued plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations as of September 14, 2015 were (a) life expectancy of participants, (b) retirement (entitlement) age assumptions (the assumed average entitlement age was 65), and (c) investment return. The forgoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accrued plan benefits.

The assets of the plan are invested in a fixed-income Guaranteed Interest Account with MassMutual under which MassMutual pools funds invested for various Length of Service Awards Program customers along with funds in The MassMutual general account. Interest income is provided at an average rate of return of approximately 3% for 2015.

As of December 31, 2015, the present value of accrued LOSAP benefits was \$1,534,857, of which the entire amount was funded.

NOTE 9: FUNDING

The activities of the Board of Commissioners are primarily funded by the striking of the fire tax on the property owners of the Fire District, as provided for by the state statute. For the year ended December 31, 2015, the fire tax rate on the Fire District No. 2 was approximately \$.039 per \$100 of assessed valuation.

NOTE 10: FUND BALANCE

General Fund – Of the \$239,982 General Fund fund balance at December 31, 2015, \$239,982 is committed for other purposes.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available, unless prohibited by law or regulation.

NOTE 11: PRIOR PERIOD ADJUSTMENT/RESTATEMENT

Net position as of January 1, 2015, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. During 2015 it was also noted that the Districts fixed assets were understated by \$4,132, prepaid insurance was understated by \$39,137. This was corrected by an adjustment to prior year's net assets.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2015

NOTE 11: PRIOR PERIOD ADJUSTMENT/RESTATEMENT (continued)

The fiduciary fund had understated assets of the Length of Service Award Program. This resulted in an adjustment to net assets of \$1,381,717.

	<u>Governmental Activities</u>
Net Position as previously reported at December 31, 2014	\$ <u>1,260,384</u>
Prior period adjustment -	
Implementation of GASB 68:	
Net Pension Liability (measurement date as of June 30, 2014)	(93,638)
PERS Pension Payable (2015 District PERS Pension Contribution)	10,991
Deferred Outflows (measurement date as of June 30, 2014)	2,944
Deferred Inflows (measurement date as of June 30, 2014)	(24,813)
Capital assets	4,132
Prepaid insurance	<u>39,137</u>
Total prior period adjustment	<u>(61,247)</u>
Net Position as restated, January 1, 2015	<u>\$ 1,199,137</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Budgetary Comparison Schedule
For the year ended December 31, 2015

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ -	\$ -	\$ 139	\$ 139
Other revenue	-	-	7,752	7,752
Total miscellaneous revenues	-	-	7,891	7,891
Amount raised by taxation to support district budget	1,420,655	1,420,655	1,420,655	-
Total anticipated revenues	1,420,655	1,420,655	1,428,546	7,891
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	47,520	51,270	53,324	(2,054)
Fringe benefits	4,123	4,123	2,027	2,096
Other expenditures:				
Professional fees	13,300	13,300	16,150	(2,850)
Fire prevention and training	44,000	44,000	18,520	25,480
Insurance	127,308	127,308	136,212	(8,904)
Building utilities and maintenance	197,000	197,000	95,450	101,550
Elections	1,000	1,000	838	162
Office supplies	55,312	51,562	43,161	8,401
Total administration	489,563	489,563	365,682	123,881
Cost of operations and maintenance:				
Other expenditures:				
Truck operations	93,000	93,000	72,821	20,179
Fire house rentals	170,497	170,497	170,497	-
Fire hydrant rentals	294,715	294,715	283,980	10,735
Contingencies	10,000	10,000	-	10,000
Equipment, radios and communications	141,300	141,300	88,079	53,221
Medical fees	17,870	17,870	15,560	2,310
Other non-bondable assets	64,890	64,890	50,844	14,046
Total cost of operations and maintenance	792,272	792,272	681,781	110,491
Length of service award program	169,082	169,082	168,965	117
Debt service for capital appropriations:				
Lease principal	116,532	116,532	116,531	1
Interest on bonds	7,206	7,206	7,206	-
Total debt service for capital appropriations	123,738	123,738	123,737	1
Total operating appropriations	1,574,655	1,574,655	1,340,165	234,490
Excess (deficiency) of revenues under (over) expenditures	(154,000)	(154,000)	88,381	242,381
Fund balance, January 1	151,601	151,601	151,601	-
Fund balance, December 31	\$ (2,399)	\$ (2,399)	\$ 239,982	\$ 242,381

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's proportion of the net pension liability (asset)	0.00024%	0.00050%	0.00062%
Authority's proportionate share of the net pension liability (asset)	\$ 52,926	\$ 93,638	\$ 118,353
Authority's covered-employee payroll	\$ 34,588	\$ 34,588	\$ 34,588
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	153.02%	270.72%	342.18%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	52.08%	48.72%

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Schedule of Authority Contributions
Public Employees' Retirement System
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 2,027	\$ 4,123	\$ 4,666
Contributions in relation to the contractually required contribution	<u>2,027</u>	<u>4,123</u>	<u>4,666</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 34,588	\$ 34,588	\$ 34,588
Contributions as a percentage of covered-employee payroll	5.86%	11.92%	13.49%

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to the Required Supplementary Information
December 31, 2015

Public Employees' Retirement System (PERS)

Basis of Presentation - The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. The numbers were derived in a report provided by KPMG dated April 14, 2016. The full report is available by the State of New Jersey, Division of Pension and Benefits. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Changes of benefit terms - 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.

Changes of assumptions - Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.



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Board of Fire Commissioners
Fire District No. 1 of the Township of Manalapan
Manalapan, New Jersey 07726

We have audited the basic financial statements of the Fire District No. 1 of the Township of Manalapan, County of Monmouth, State of New Jersey for the year ended December 31, 2015. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS

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

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or 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 by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500, except by contract or agreement.

It is pointed out that the Members of the District have the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

Review of the minutes and financial transactions did not identify any bids requested by public advertising.

The minutes indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.40A:11-5*.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. The results of our examination did not disclose any discrepancies.

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures revealed individual payments, contracts or agreements in excess of \$2,625 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

The minutes indicate that quotes were requested for all items that required them.

Examination of Bills

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.

Examination of Cash Receipts

A test check of cash receipts was made.

Examination of Investments

An examination of investments held by the District was conducted to ensure all certificate of deposit balances as stated on the general ledger were accurate.

Budget

An examination of the District approved budget was conducted to ensure line items were not overspent.

General Ledger

The general ledger was complete with the required journal entries.

Comment 2015-001:

During our audit of the District's capital assets, it was noted that a detailed capital asset listing was not maintained with historical (purchase) values and dates the assets were placed into service.

Recommendation:

The District should create and maintain a fixed asset listing of all capital assets owned by the District..

Acknowledgment

We received the complete cooperation of all the staff of the District and we greatly appreciate the courtesies extended to the members of the audit team.

During our review, we did not note any problems or weaknesses significant enough that would affect our ability to express an opinion on the financial statements taken as a whole.

Should you have any questions, please contact us.

HOLMAN FRENIA ALLISON PC
HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

May 25, 2016
Toms River, New Jersey