

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

Financial Statements and Supplementary Schedules

For the year ended December 31, 2016

(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 fiscal year ended December 31, 2016, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fire District No. 1 of the Township of Manalapan, County of Monmouth, State of New Jersey, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion, analysis, and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements, as listed on 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 Information

The long-term debt schedule of obligations under capital leases is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the long-term debt schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2017 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



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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, 2016, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated July 18, 2017.

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 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 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 2016-001.

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

July 18, 2017
Toms River, New Jersey

**MANALAPAN TOWNSHIP FIRE DISTRICT NO. 1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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, 2016. 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, 2016 by approximately \$1.07 million. In 2015 the excess was approximately \$1.24 million. This is a decrease of approximately \$172,500.
- During 2016 Manalapan Township Fire District No. 1 operated at a surplus of approximately \$321,900. The surplus in 2015 was approximately \$44,700. This is an increase of approximately \$277,200.
- The Board did not spend any Capital funds in 2016.
- The Board implemented GASB 68 in 2015 that resulted in a prior period adjustment of approximately \$61,200.
- The Board corrected an unfunded LOSAP obligation in 2016 that resulted in a prior period adjustment of approximately \$494,400.

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 2016 the District's assets exceeded the liabilities by approximately \$1.07 million. The largest portion of Manalapan Township Fire District No. 1's net assets 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.

Statement of Net Position

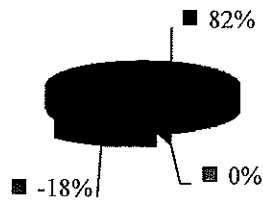
MANALAPAN TOWNSHIP FIRE DISTRICT NO. 1
NET POSITION
DECEMBER 31, 2016

	2016	2015	\$ Increase (Decrease)	% Increase (Decrease)
Current and Other Assets	\$ 338,720	\$ 327,769	+10,951	+3.3%
Fixed Assets	<u>1,952,230</u>	<u>1,166,105</u>	+786,125	+67.4%
Total Assets	2,290,950	1,493,874	+797,076	+53.4%
Other Liabilities	<u>(1,219,533)</u>	<u>(249,995)</u>	+969,538	+387.8%
Net Position	<u>\$1,071,417</u>	<u>\$1,243,879</u>	(172,462)	(13.9%)

Analysis of Net Position

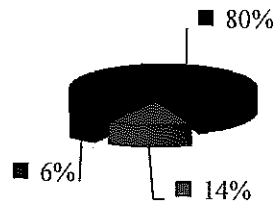
Invested in General Fixed Assets Net of Related Debt	\$1,385,769	\$ 996,031	+389,738	+39.1%
Restricted for subsequent period	- 0 -	179,851	(179,851)	(100.0%)
Unrestricted	<u>(314,352)</u>	<u>67,997</u>	(382,349)	(562.3%)
Total Net Position	<u>\$1,071,417</u>	<u>\$1,243,879</u>	(172,462)	(13.9%)

2016 Net Position



- Invested in Net Assets
- Subsequent Year
- Unrestricted

2015 Net Position



- Invested in Net Assets
- Subsequent Year
- Unrestricted

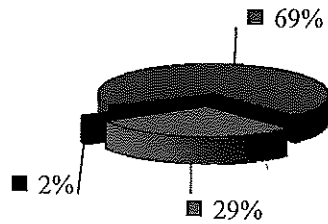
The net position of Manalapan Township Fire District No. 1 decreased approximately \$172,500 during the 2016 period. This decrease was due primarily to the correction of the unfunded LOSAP obligation. Other major changes in net assets at December 31, 2016 were depreciation and surplus.

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:

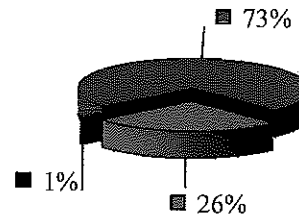
	2016	2015	\$ Increase (Decrease)	% Increase (Decrease)
Expenses				
Program Expenses				
Administrative Expenses	\$ 320,206	\$ 365,682	(45,476)	(12.4%)
Cost of Operations & Maintenance	763,800	1,010,916	(247,116)	(24.4%)
Interest Expense	<u>17,143</u>	<u>7,206</u>	+9,937	+137.9%
Total Program Expenses	<u>1,101,149</u>	<u>1,383,804</u>	(282,655)	(20.4%)

2016 Program Expenses



Administrative
 Interest
 Operations

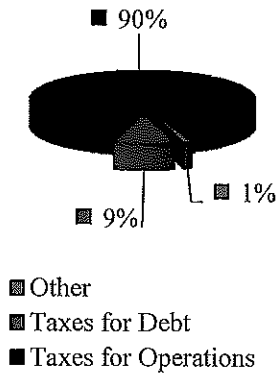
2015 Program Expenses



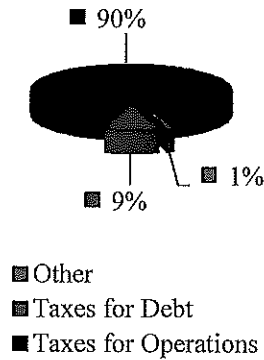
Administrative
 Interest
 Operations

	2016	2015	\$ Increase (Decrease)	% Increase (Decrease)
General Revenues				
Property Taxes Levied for General Purposes	1,281,917	1,296,918	(15,001)	(1.2%)
Property Taxes Levied for Capital Purchases	123,737	123,737	- 0 -	- 0 -
Other Revenues	<u>17,392</u>	<u>7,891</u>	+9,501	+120.4%
Total General Revenues	<u>1,423,046</u>	<u>1,428,546</u>	(5,500)	(.4%)
Increase (Decrease) in Net Position	<u>321,897</u>	<u>44,742</u>	+277,155	+619.5%
Net Position, January 1	1,243,879	1,260,384	(16,505)	(1.3%)
Prior Year Adjustment	<u>(494,359)</u>	<u>(61,247)</u>	+433,112	+707.2%
Net Position, January 1 – as restated	<u>749,520</u>	<u>1,199,137</u>	(449,617)	(37.5%)
Net Position, December 31	<u>\$1,071,417</u>	<u>\$1,243,879</u>	(172,462)	(13.9%)

2016 Revenues



2015 Revenues



Property tax revenue constituted 99% of the total governmental activities revenues received by Manalapan Township Fire District No. 1 in 2016. In 2015 the property tax revenue also constituted 99% of total revenues.

The Cost of Operations & Maintenance was 69% and 73% of the District's total expenses in 2016 and 2015, respectively. Administration expenses equaled 29% and 26% of the total expenses in 2016 and 2015, 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, 2016, the combined balance of the governmental cash funds of Manalapan Township Fire District No. 1 was approximately \$255,500. The funds realized a combined deficit for the year of approximately \$20,600.

The combined balance of the governmental funds of Manalapan Township Fire District No. 1 was approximately \$219,400. The Board had approximately \$179,800 of designated General Funds at 2016 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 utilized \$179,851 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 expenditures in excess of revenues of approximately \$20,600 in 2016, and approximately \$88,400 in 2015. The year ending December 31, 2017 is expected to generate a small surplus.

Administrative actual expenses were approximately 34% less than projected in 2016. Operating expenses were approximately 9% less than projected in 2016.

The Board purchased fire apparatus in 2016 under a capital lease.

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, 2016

	2016	2015	Change
Vehicles & Apparatus	\$2,867,582	\$2,997,715	(130,133)
Fire Equipment	374,628	1,914,216	(1,539,588)
Buildings & Improvements	<u>- 0 -</u>	<u>1,430,877</u>	(1,430,877)
Total Capital Assets	3,242,210	6,342,808	(3,100,598)
Apparatus in Progress	694,401	- 0 -	+694,401
Accumulated Depreciation	<u>(1,984,381)</u>	<u>(5,176,703)</u>	(3,192,322)
Investment in Capital Assets – net	<u>\$1,952,230</u>	<u>\$1,166,105</u>	+786,125

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 a capital lease for the purchase of fire apparatus.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

In 2016, Manalapan Township Fire District No. 1 was able to cover all its appropriations through the fire tax levy and other revenues. In 2016 the fire tax levy amounted to 99% of total revenue collected.

In 2016 Manalapan Township Fire District No. 1 adopted their 2016 budget on January 17, 2016. The voters subsequently approved the budget at the February election. The Board is not utilizing any of General Fund surplus in the 2016 budget.

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, 2016

	Governmental Activities
	<u>2016</u>
Assets:	
Current assets:	
Cash	\$ 255,501
Prepaid insurance	64,617
Total current assets	320,118
Capital assets (net of depreciation)	1,952,230
Total assets	2,272,348
Deferred outflows of resources:	
Deferred outflows related to pension	18,602
Total deferred outflows of resources	18,602
Total assets and deferred outflows of resources	2,290,950
Liabilities:	
Current liabilities:	
Accounts payable	24,722
Accrued professional fees	9,300
Accrued interest	6,720
Accrued pension	2,101
Capital leases payable	110,652
Total current liabilities	153,495
Noncurrent liabilities:	
Capital leases payable	455,809
Net pension liability	70,043
Unfunded LOSAP obligation	494,932
Total noncurrent liabilities	1,020,784
Total liabilities	1,174,279
Deferred inflows of resources:	
Deferred inflows related to pension	45,254
Total deferred inflows of resources	45,254
Total liabilities and deferred inflows of resources	1,219,533
Net position:	
Net investment in capital assets	1,385,769
Unreserved net position	(314,352)
Total net position	\$ 1,071,417

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, 2016

	Governmental Activities
	<u>2016</u>
Government activities:	
Operation appropriations:	
Administration	\$ 320,206
Costs of operations and maintenance	763,800
Interest expense	17,143
	1,101,149
Total government activities	1,101,149
General revenues:	
Miscellaneous revenue	17,391
Amount raised by taxation	1,405,655
	1,423,046
Total general revenues	1,423,046
Change in net position	321,897
Net position, January 1	1,243,879
Prior period adjustment (See Note 13)	(494,359)
	749,520
Net position, January 1 (restated)	749,520
Net position, December 31	\$ 1,071,417

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, 2016

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>December 31, 2016</u>
Assets:			
Cash	\$ 255,501	\$ -	\$ 255,501
Other receivable	31,773	-	31,773
Total assets	<u>287,274</u>	<u>-</u>	<u>287,274</u>
Liabilities, equity and other credits:			
Accounts payable	24,722	-	24,722
Accrued professional fees	9,300	-	9,300
Accrued pension	2,101	-	2,101
Other payable	-	31,773	31,773
Total liabilities	<u>36,123</u>	<u>31,773</u>	<u>67,896</u>
Fund balances			
Restricted for:			
Debt service	-	(31,773)	(31,773)
Unassigned, reported in:			
General fund	251,151	-	251,151
Total fund balance	<u>251,151</u>	<u>(31,773)</u>	<u>219,378</u>
Total liabilities and fund balance	<u>\$ 287,274</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.	64,617
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$3,936,611 and the accumulated depreciation is \$1,984,381.	1,952,230
Deferred outflows and inflows of resources related to pension are applicable to future reporting periods and, therefore, are not reported in the funds.	(26,652)
Accrued interest not recorded in current financial statements.	(6,720)
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.	<u>(1,131,436)</u>
Net assets of governmental activities	<u>\$ 1,071,417</u>

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, 2016

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>December 31, 2016</u>
Revenues:			
Investment income	\$ 104	\$ -	\$ 104
Other revenue	17,287	-	17,287
Total miscellaneous revenues	<u>17,391</u>	<u>-</u>	<u>17,391</u>
Total revenues	<u>17,391</u>	<u>-</u>	<u>17,391</u>
Amount raised by taxation to support district budget	<u>1,281,917</u>	<u>123,738</u>	<u>1,405,655</u>
Total anticipated revenues	<u>1,299,308</u>	<u>123,738</u>	<u>1,423,046</u>
Expenditures:			
Operating appropriations:			
Administration:			
Salaries and wages	58,010	-	58,010
Other expenditures:			
Professional fees	20,594	-	20,594
Fire prevention and training	11,298	-	11,298
Insurance	123,445	-	123,445
Building utilities and maintenance	69,378	-	69,378
Office supplies	37,481	-	37,481
Total administration	<u>320,206</u>	<u>-</u>	<u>320,206</u>
Cost of operations and maintenance:			
Other expenditures:			
Truck operations	111,151	-	111,151
Fire house rentals	170,497	-	170,497
Fire hydrant rentals	283,980	-	283,980
Equipment, radios and communications	154,572	-	154,572
Medical fees	15,675	-	15,675
Other non-bondable assets	54,482	-	54,482
Total cost of operations and maintenance	<u>790,357</u>	<u>-</u>	<u>790,357</u>
Length of service award program	<u>177,576</u>	<u>-</u>	<u>177,576</u>
Capital appropriations	<u>594,401</u>	<u>-</u>	<u>594,401</u>
Debt service for capital appropriations:			
Capital leases	-	145,088	145,088
Interest on capital leases	-	10,423	10,423
Total debt service for capital appropriations	<u>-</u>	<u>155,511</u>	<u>155,511</u>
Total operating appropriations	<u>1,882,540</u>	<u>155,511</u>	<u>2,038,051</u>
Other financing sources and uses:			
Proceeds from capital lease	<u>594,401</u>	<u>-</u>	<u>594,401</u>
Total other financing sources and uses:	<u>594,401</u>	<u>-</u>	<u>594,401</u>
Excess (efficiency) of revenues over (under) expenditures	11,169	(31,773)	(20,604)
Fund balance, January 1	<u>239,982</u>	<u>-</u>	<u>239,982</u>
Fund balance, December 31	<u>\$ 251,151</u>	<u>\$ (31,773)</u>	<u>\$ 219,378</u>

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, 2016

Total net changes in Fund Balance-Governmental Funds (B-2) \$ (20,604)

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.

	807,614	
Capital Outlays-General Fund	154,784	
Adjustment for revaluation of fixed assets (See Note 5)	(176,273)	
Depreciation Expense	786,125	

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities. 7,821

In the statement of activities, LOSAP benefits are measured by the amount that is to be provided for accrued plan benefits. In the governmental fund, however, expenditures for these items are reported in the amount of financial resources used, essentially, the amounts actually paid. This year, the increase in the amount to be provided for accrued plan benefits was \$573. (573)

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. 145,088

Proceeds from a capital lease are recorded as an other financing source in the governmental funds, the amount is recorded as a long-term lease payable on the statement of activities. (594,401)

Accrual of interest on capital leases and bonds is not an expenditure in the governmental funds, but the adjustment is charged to expense and is reported in the statement of activities.

	-	
Prior year	(6,720)	
Current year	(6,720)	

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)	
Prior year	64,617	
Current year	5,161	

Changes in net position of governmental activities \$ 321,897

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Fiduciary Funds
Statement of Net Position
Length of Service Award
December 31, 2016

	December 31, <u>2016</u>
Assets:	
Investments	\$ 1,686,359
Total assets	<u>1,686,359</u>
Net position	
Reserved:	
For Length of Service Award Program	<u>1,686,359</u>
Total net position	<u><u>\$ 1,686,359</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, 2016

	December 31, 2016
Revenues and other financing sources:	
District contributions	\$ 177,576
Interest income	46,149
Total revenues and other financing sources	223,725
Expenditures:	
Administrative fees and refunds	10,528
Withdrawals	61,695
Total expenditures	72,223
Excess of revenues and other financing sources over expenditures	151,502
Fund balance, January 1	1,534,857
Fund balance, December 31	\$ 1,686,359

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, 2016

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.

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;
- ◆ 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.

There were no additional entities required to be included in the reporting entity under the criteria as described above. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. District Officials

The District is governed by a board of five commissioners. The following were in office at December 31, 2016:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
Lou Caruana	2018
Ken Kelly	2018
Daniel LaRocca	2019
George Schmatz	2017
Alan Spector	2019

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.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 1: GENERAL INFORMATION (continued)

D. Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

E. Component Units

GASB Statement No.14. The Financial Reporting Entity, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units and GASB Statement No. 61, The Financial Reporting Entity: Omnis - an amendment of GASB Statements No. 14 and No. 34. The District had no component units as of for the year ended December 31, 2016.

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

three categories: governmental, proprietary and fiduciary. Each category, in turn is divided into separate "fund types."

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.

Fiduciary Funds

Fiduciary funds are used to account for assets held by a governmental entity for other parties (either as trustee or as an agent) and that cannot be used to finance the governmental entity's own operating programs which includes private purpose trust funds and agency funds.

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,

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. District Wide and Fund Financial Statements (continued)

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.

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 DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgets and Budgetary Accounting (continued)

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.

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. There were no encumbrances at December 31, 2016.

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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Debt Limitation (continued)

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.

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, 2016

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, 2016

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 Issues Accounting Principles

Adopted Accounting Pronouncements

For the year ended December 31, 2016, the District implemented GASB Statement No. 72, *Fair Value Measurement and Application*. As a result of implementing this statement, the District is required to measure certain investments at fair value for financial reporting purposes. In addition, the District is required to measure donated capital assets at acquisition value (an entry price); these assets were previously required to be measured at fair value. Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Implementation of this Statement did not impact the District's financial statements.

For the year ended December 31, 2016, the District implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Implementation of this Statement did not impact the District's financial statements.

The District implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Implementation of this Statement did not impact the District's financial statements.

Recently Issued and Adopted Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the District's financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Impact of Recently Issues Accounting Principles (continued)

Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. 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. This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the District's financial statements.

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the District's financial statements.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the District's financial statements.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the District's financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement will be effective for the year ended December 31, 2018. Management does not expect this Statement to impact the District's financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will be effective for the year ended December 31, 2018. Management does not expect this Statement to impact the District's financial statements.

Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the District's financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Fair Value Measurement

The District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level I – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the District has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

Level II – Inputs that include quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level III – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values. Subsequent to initial recognition, the District may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

The following methods and assumptions were used by the District in estimating the fair value of its financial instruments:

Guaranteed Interest Account: Valued at the contract's market value as reported by the insurance company.

N. Subsequent Events

Fire District No. 1 of the Township of Manalapan has evaluated subsequent events occurring after December 31, 2016 through the date of July 18, 2017, which is the date the financial statements were available to be issued.

NOTE 3: CASH

The Fire District is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2016, and reported at fair value are as follows:

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 3: CASH (continued)

Deposits:	
Demand Deposits	\$ <u>255,501</u>
Total Deposits	\$ <u>255,501</u>
Reconciliation to Governmental Fund Statements:	
Governmental Funds	\$ <u>255,501</u>
Total	\$ <u>255,501</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, 2016, the District's bank balance of \$255,671 was insured or collateralized as follows:

Insured	\$ 250,000
Collateralized in the District's name under GUDPA	<u>5,671</u>
Total	<u>\$ 255,671</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, 2016, 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, 2016

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, 2016:

	<i>Assets at Fair Value as of December 31, 2016</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
LOSAP:				
Guaranteed Interest Account	\$ -	\$ -	\$ 1,686,359	\$ 1,686,359
Total LOSAP	<u>-</u>	<u>-</u>	<u>1,686,359</u>	<u>1,686,359</u>
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,686,359</u>	<u>\$ 1,686,359</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, 2016:

	<i>Level 3 Assets</i>
	<i>Year Ended December 31, 2016</i>
	<u>Guaranteed Interest Account</u>
Balance, beginning of year	\$ 1,534,857
Purchases, sales, issuances, and settlements (net)	115,881
Gain and (losses)	<u>35,621</u>
Balance, end of year	<u>\$ 1,686,359</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 5: CAPITAL ASSETS

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.

During 2016, the District's fixed assets were re-appraised. The appraisal resulted in a net adjustment to fixed assets of \$154,784. Fixed assets consisted of the following at December 31, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Valuation Adjustments</u>	<u>Ending Balance</u>
Capital assets that are not being depreciated:					
Apparatus in progress	\$ -	\$ 694,401	\$ -	\$ -	\$ 694,401
Total capital assets not being depreciated	-	694,401	-	-	694,401
Capital assets that are being depreciated:					
Equipment	1,914,216	60,131	-	(1,599,719)	374,628
Buildings and improvements	1,430,877	-	-	(1,430,877)	-
Trucks and vehicles	2,997,715	53,082	-	(183,215)	2,867,582
Total capital assets being depreciated:	6,342,808	113,213	-	(3,213,811)	3,242,210
Totals at historical cost	6,342,808	807,614	-	(3,213,811)	3,936,611
Less: accumulated depreciation:					
Equipment	(1,563,148)	(33,643)	-	1,461,729	(135,062)
Buildings and improvements	(1,159,747)	-	-	1,159,747	-
Trucks and vehicles	(2,453,808)	(142,630)	-	747,119	(1,849,319)
Total accumulated depreciation	(5,176,703)	(176,273)	-	3,368,595	(1,984,381)
Total capital assets net of accumulated depreciation	\$ 1,166,105	\$ 631,341	\$ -	\$ 154,784	\$ 1,952,230

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 6: NONCURRENT LIABILITIES

During the fiscal year ended December 31, 2016, the following changes occurred in liabilities reported in long-term liabilities:

	Balance 12/31/15	Accrued/ increases	Retired/ decreases	Balance 12/31/16	Due within one year
Capital leases	\$ 117,148	\$ 594,401	\$ (145,088)	\$ 566,461	\$ 110,652
Unfunded LOSAP obligation	494,359	573	-	494,932	-
Net pension liability	52,926	17,117	-	70,043	-
	<u>\$ 664,433</u>	<u>\$ 612,091</u>	<u>\$ (145,088)</u>	<u>\$ 1,131,436</u>	<u>\$ 110,652</u>

A. Capital Leases Payable

The Fire District is leasing a pumper totaling \$594,401 under a capital lease. The capital lease is for a term of five years. The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at December 31, 2016.

<u>Year-ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 110,652	\$ 17,263	\$ 127,915
2018	117,284	10,631	127,915
2019	120,339	7,576	127,915
2020	123,474	4,441	127,915
2021	<u>94,712</u>	<u>1,224</u>	<u>95,936</u>
Total	<u>\$ 566,461</u>	<u>\$ 41,135</u>	<u>\$ 607,596</u>

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:

Tier Definition

- 1 Members who were enrolled prior to July 1, 2007
- 2 Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3 Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 7: PENSION OBLIGATIONS (continued)

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

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 with 25 or more years of service credit before age 62 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.

Basis of Presentation - The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. 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.

Contributions - The contribution policy for PERS is set by *N.J.S.A. 43:15A* 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. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2016, 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.

Components of Net Pension Liability - At December 31, 2016, the District reported a liability of \$70,043 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. 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, 2016. The District's proportion measured as of June 30, 2016, was .00024%, which was unchanged from its proportion measured as of June 30, 2015.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 7: PENSION OBLIGATIONS (continued)

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

Collective Balances at December 31, 2016 and December 31, 2015

	<u>12/31/2016</u>	<u>12/31/2015</u>
Actuarial valuation date (including roll forward)	June 30, 2016	June 30, 2015
Deferred Outflows of Resources	\$ 18,602	\$ 6,947
Deferred Inflows of Resources	\$ 45,254	\$ 58,537
Net Pension Liability	\$ 70,043	\$ 52,926
 District's portion of the Plan's total net pension Liability	 0.00024%	 0.00024%

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended December 31, 2016, the District recognized a pension credit of \$7,821. At December 31, 2016, 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>
	<u>PERS</u>	<u>PERS</u>
Differences between Expected and Actual Experience	\$ 1,303	\$ -
Changes of Assumptions	14,509	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	2,671	-
Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions	119	45,254
	<u>\$ 18,602</u>	<u>\$ 45,254</u>

\$2,101 of the deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date (i.e. for the fiscal year ending December 31, 2016, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 7: PENSION OBLIGATIONS (continued)

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

Year Ending <u>Dec 31,</u>	<u>PERS</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
2017	\$ (8,328)		
2018	(8,328)		
2019	(6,935)		
2020	(3,393)		
2021	332		
	<u>\$ (26,652)</u>		
Differences between Expected and Actual Experience			
Year of Pension Plan Deferral:			
June 30, 2014		-	-
June 30, 2015		5.72	-
June 30, 2016		5.57	-
Changes of Assumptions			
Year of Pension Plan Deferral:			
June 30, 2014		6.44	-
June 30, 2015		5.72	-
June 30, 2016		5.57	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments			
Year of Pension Plan Deferral:			
June 30, 2014		-	5.00
June 30, 2015		-	5.00
June 30, 2016		5.00	-
Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions			
Year of Pension Plan Deferral:			
June 30, 2014		6.44	6.44
June 30, 2015		5.72	5.72
June 30, 2016		5.57	5.57

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 7: PENSION OBLIGATIONS (continued)

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

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:

<u>PERS</u>	
Inflation	3.08%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.65%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial	
Assumptions were Based	July 1, 2011 - June 30, 2014

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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 (7.65% at June 30, 2016) 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

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 7: PENSION OBLIGATIONS (continued)

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

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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment grade credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global debt ex U.S.	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 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 contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 7: PENSION OBLIGATIONS (continued)

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

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 (2.98%) or 1-percentage-point higher (4.98%) than the current rate:

	PERS		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	<u>(2.98%)</u>	<u>(3.98%)</u>	<u>(4.98%)</u>
District's Proportionate Share of the Net Pension Liability	<u>\$ 85,830</u>	<u>\$ 70,043</u>	<u>\$ 57,010</u>

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 2016.

As of December 31, 2016, the present value of accrued LOSAP benefits was \$2,181,291, of which \$1,686,359 was funded and \$494,932 was unfunded.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 9: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The purpose of the interfunds is for short-term borrowing. As of December 31, 2016, the following interfund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ 31,773	\$ -
Debt Service fund	-	<u>31,773</u>
Total	<u>\$ 31,773</u>	<u>\$ 31,773</u>

The interfund receivables and payables above predominately resulted from payment made by certain funds on behalf of other funds. All interfund balances are expected to be repaid within one year.

NOTE 10: 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, 2016, the fire tax rate on the Fire District No. 2 was approximately \$.039 per \$100 of assessed valuation.

NOTE 11: FUND BALANCE

General Fund – Of the \$251,151 General Fund fund balance at December 31, 2016, the entire amount is unassigned.

Debt Service Fund – Of the \$(31,773) Debt Service Fund fund balance at December 31, 2016, the entire amount is restricted for debt service. The District has budgeted to fund this deficit during 2017.

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 12: COMMITMENTS

The District entered into a contract with Gordons Corner Fire Company for the leasing of premises at 683 Tennent Road, Township of Manalapan, New Jersey. The lease is a five year lease with future payments at December 31 as follows:

2017	\$ 173,907
2018	176,516
2019	180,046
2020	<u>45,233</u>
Total	<u>\$ 575,702</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 13: PRIOR PERIOD ADJUSTMENT/RESTATEMENT

During 2016, it was determined that the District did not record the unfunded liability of the LOSAP benefits in the prior year in accordance with GASB requirements. The District corrected this with an adjustment to the prior year's net assets in the amount of \$(494,359).

Net position as of January 1, 2016, has been restated as follows for the correction of the unfunded LOSAP liability:

	<u>Governmental Activities</u>
Net Position as previously reported at December 31, 2015	\$ 1,243,879
Prior period adjustment - Correction of unfunded LOSAP obligation	(494,359)
Net Position as restated, January 1, 2016	<u>\$ 749,520</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Budgetary Comparison Schedule
For the year ended December 31, 2016

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ -	\$ -	\$ 104	\$ 104
Other revenue	-	-	17,287	17,287
Total miscellaneous revenues	-	-	17,391	17,391
Amount raised by taxation to support district budget	1,405,655	1,405,655	1,405,655	-
Total anticipated revenues	1,405,655	1,405,655	1,423,046	17,391
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	52,998	58,098	58,010	88
Other expenditures:				
Professional fees	14,300	21,300	20,594	706
Fire prevention and training	44,000	21,700	11,298	10,402
Insurance	134,308	134,308	123,445	10,863
Building utilities and maintenance	208,000	208,000	69,378	138,622
Office supplies	55,312	43,312	37,481	5,831
Total administration	508,918	486,718	320,206	166,512
Cost of operations and maintenance:				
Other expenditures:				
Truck operations	89,000	111,200	111,151	49
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	147,300	207,431	154,572	52,859
Medical fees	17,870	17,870	15,675	2,195
Other non-bondable assets	58,890	58,890	54,482	4,408
Total cost of operations and maintenance	788,272	870,603	790,357	80,246

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Budgetary Comparison Schedule
For the year ended December 31, 2016

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Capital appropriations:				
Assets acquired under capital lease	-	-	594,401	(594,401)
Total capital appropriations	-	-	594,401	(594,401)
Length of service award program	178,727	178,727	177,576	1,151
Debt service for capital appropriations:				
Lease principal	121,281	121,281	145,088	(23,807)
Interest on bonds	2,457	2,457	10,423	(7,966)
Total debt service for capital appropriations	123,738	123,738	155,511	(31,773)
Total operating appropriations	1,599,655	1,659,786	2,038,051	(378,265)
Excess (deficiency) of revenues under (over) expenditures	(194,000)	(254,131)	(615,005)	(360,874)
Other financing sources and uses:				
Proceeds from capital lease	-	-	594,401	594,401
Total other financing sources and uses	-	-	594,401	594,401
Excess (deficiency) of revenues and other financing sources under (over) expenditures and other financing uses	(194,000)	(254,131)	(20,604)	233,527
Fund balance, January 1	239,982	239,982	239,982	-
Fund balance, December 31	\$ 45,982	\$ (14,149)	\$ 219,378	\$ 233,527

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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's proportion of the net pension liability (asset)	0.00024%	0.00024%	0.00050%	0.00062%
Authority's proportionate share of the net pension liability (asset)	\$ 70,043	\$ 52,926	\$ 93,638	\$ 118,353
Authority's covered-employee payroll	\$ 35,440	\$ 34,588	\$ 34,588	\$ 34,588
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	197.64%	153.02%	270.72%	342.18%
Plan fiduciary net position as a percentage of the total pension liability	40.14%	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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 2,101	\$ 2,027	\$ 4,123	\$ 4,666
Contributions in relation to the contractually required contribution	<u>2,101</u>	<u>2,027</u>	<u>4,123</u>	<u>4,666</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 35,440	\$ 34,588	\$ 34,588	\$ 34,588
Contributions as a percentage of covered-employee payroll	5.93%	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, 2016**

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 6, 2017. 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. Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

EXHIBIT I-1

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
 Long-Term Debt
 Schedule of Obligations Under Capital Leases
 For the year ended December 31, 2016

Description	Date of Lease	Term of Lease	Amount of Original Issue		Annual Maturity Date	Interest Rate Payable	Amount Outstanding		Retired	Issued	Amount Outstanding December 31, 2016		
			Principal	Interest			January 1, 2016	December 31, 2016					
Apparatus	8/15/2011	3 years	\$ 441,025	\$ 52,786	1/15/17	3.20%	\$ 117,148	\$ -	\$ 117,148	\$ -	\$ -		
Apparatus	4/15/2016	5 years	594,401	44,969	4/15/17	2.58%	-	-	594,401	27,940	566,461		
					4/15/17								
					7/15/17								
					10/15/17								
					1/15/18								
					4/15/18								
					7/15/18								
					10/15/18								
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					4/15/20								
					7/15/20								
					10/15/20								
					1/15/21								
					4/15/22								
					7/15/23								
Total \$										117,148	\$ 594,401	\$ 145,088	\$ 566,461



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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, 2016. 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 Commissioners 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 2016-001:

During our audit of the District's debt service fund, it was noted the debt service budget was overspent by \$31,773. This was due to the District making a capital lease payment in 2016 that was not appropriated. This also resulted in a deficit in the debt service fund of \$31,773.

Recommendation:

The District should properly budget for debt service payments.

Management Response:

The District has budgeted to correct the deficit in 2017.

Follow-up on Prior Year's Findings:

In accordance with government auditing standards, our procedures included a review of all prior year recommendations including findings. Corrective action was taken on all prior year findings.

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, P.C.
Certified Public Accountants

July 18, 2017
Toms River, New Jersey