

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

**Financial Statements and Supplementary Schedules**

**For the year ended December 31, 2018**

**(With Independent Auditor's Report thereon)**

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
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**For the year ended December 31, 2018**

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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, 2018, 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 opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fire District No. 1 of the Township of Manalapan, County of Monmouth, State of New Jersey, as of December 31, 2018, 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 and analysis and budgetary comparison information, schedule of the District's proportionate share of the net pension liability – PERS, schedule of District contributions – PERS, changes in the net pension liability and related ratios – length of service awards program and notes to the required supplementary information, 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.

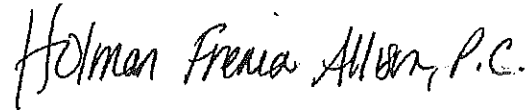
### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fire District No. 1 of the Township of Manalapan's basic financial statements. The long-term debt schedule of obligations under capital leases, as listed on the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

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 June 21, 2019 on our consideration of the Fire District No. 1 of the Township of Manalapan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fire District No. 1 of the Township of Manalapan's internal control over financial reporting and compliance.



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

June 21, 2019  
Toms River, New Jersey



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

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 governmental-type activities of the Fire District No. 1 of the Township of Manalapan as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Fire District No. 1 of the Township of Manalapan's basic financial statements and have issued our report thereon dated June 21, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Fire District No. 1 of the Township of Manalapan'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 Fire District No. 1 of the Township of Manalapan's internal control. Accordingly, we do not express an opinion on the effectiveness of Fire District No. 1 of the Township of Manalapan'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.

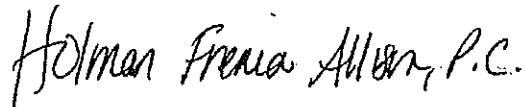
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies 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 Fire District No. 1 of the Township of Manalapan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* 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.

## **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 Fire District No. 1 of the Township of Manalapan'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*

June 21, 2019  
Toms River, New Jersey

**MANALAPAN TOWNSHIP FIRE DISTRICT NO. 1  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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, 2018. 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 19.

**FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at December 31, 2018 by approximately \$893,000. In 2017 the excess was approximately \$693,000. This is an increase of approximately \$200,00.
- During 2018 Manalapan Township Fire District No. 1 operated at a surplus of approximately \$200,000. The surplus in 2017 was approximately \$415,900. This is a decrease of approximately \$215,900.
- The District's cash balances increased by approximately \$354,700.
- The District's prepaid expenses decreased by approximately \$4,900.
- The District increased the amount of current liabilities by approximately \$95,400.

**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 one type of fund group; it is governmental 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 three separate government funds, the general fund, the capital project 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 2018 the District's assets exceeded the liabilities by approximately \$893,000. 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**

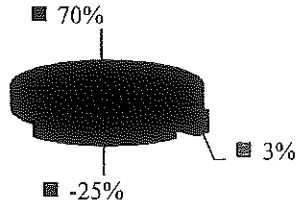
MANALAPAN TOWNSHIP FIRE DISTRICT NO. 1  
NET POSITION  
DECEMBER 31, 2018

	2018	2017	\$ Increase (Decrease)	% Increase (Decrease)
Current and Other Assets	\$3,654,013	\$2,553,619	+1,100,394	+43.1%
Fixed Assets	<u>1,671,539</u>	<u>1,840,690</u>	(169,151)	(9.2%)
Total Assets	5,325,552	4,394,309	+931,243	+21.2%
Other Liabilities	<u>(4,432,485)</u>	<u>(3,701,289)</u>	+731,196	+19.8%
Net Position	<u>\$ 893,067</u>	<u>\$ 693,020</u>	+200,047	+28.9%

**Analysis of Net Position**

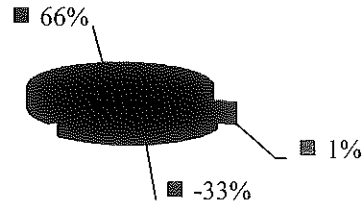
Invested in General Fixed Assets Net of Related Debt	\$1,333,014	\$1,384,881	(51,867)	(3.7%)
Restricted for:				
Capital projects	61,151	11,151	+50,000	+448.4%
Unrestricted	<u>(501,098)</u>	<u>(703,012)</u>	+201,914	+28.7%
Total Net Position	<u>\$ 893,067</u>	<u>\$ 693,020</u>	+200,047	(13.9%)

### 2018 Net Position



- Invested in Net Assets
- Subsequent Year
- Unrestricted

### 2017 Net Position



- Invested in Net Assets
- Subsequent Year
- Unrestricted

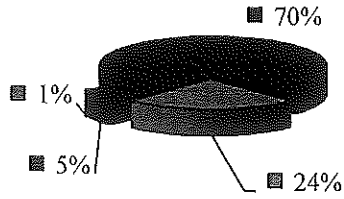
The net position of Manalapan Township Fire District No. 1 increased approximately \$200,000 during the 2018 period. The district added approximately \$18,300 of Capital Assets and disposed approximately \$74,000 of fully depreciated Capital Assets in 2018. In 2018, the capital assets decreased approximately \$169,200 after depreciation.

### Governmental Activities

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

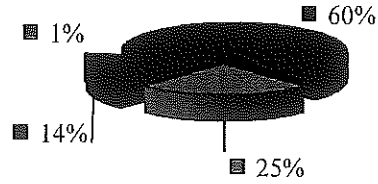
Expenses	2018	2017	\$ Increase (Decrease)	% Increase (Decrease)
<b>Program Expenses</b>				
Administrative Expenses	\$ 389,169	\$ 320,501	+68,668	+21.4%
Cost of Operations & Maintenance	1,111,686	782,493	+329,193	+42.1%
Length of Service Award	75,371	179,884	(104,513)	(58.1%)
Interest Expense	<u>10,017</u>	<u>12,977</u>	(2,960)	(22.8%)
<b>Total Program Expenses</b>	<u><b>1,586,243</b></u>	<u><b>1,295,855</b></u>	<b>+290,388</b>	<b>+22.4%</b>

### 2018 Program Expenses



- Administrative
- Length of Service
- Interest
- Operations

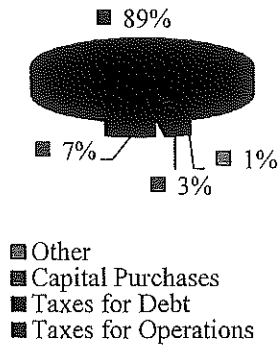
### 2017 Program Expenses



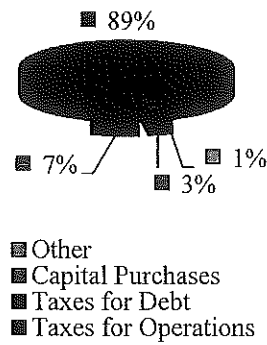
- Administrative
- Length of Service
- Interest
- Operations

	2018	2017	\$ Increase (Decrease)	% Increase (Decrease)
<b>General Revenues</b>				
Property Taxes Levied for				
General Purposes	1,543,555	1,467,888	+75,667	+5.2%
Debt Service	127,915	159,688	(31,773)	(19.9%)
Capital Purchases	<u>50,000</u>	<u>60,000</u>	<u>(10,000)</u>	<u>(16.6%)</u>
Total Property Taxes Levied	1,721,470	1,687,576	+33,894	+2.0%
Other Revenues	<u>64,820</u>	<u>24,140</u>	+40,680	+168.5%
Total General Revenues	<u>1,786,290</u>	<u>1,711,716</u>	+74,574	+4.4%
Increase (Decrease) in Net Position	200,047	415,861	(215,814)	(51.9%)
Net Position, January 1	<u>693,020</u>	<u>277,159</u>	+415,861	+150.0%
Net Position, December 31	<u>\$ 893,067</u>	<u>\$ 693,020</u>	+200,047	+28.9%

### 2018 Revenues



### 2017 Revenues



Property tax revenue constituted 96% of the total governmental activities revenues received by Manalapan Township Fire District No. 1 in 2018. In 2017 the property tax revenue also constituted 99% of total revenues.

The Cost of Operations & Maintenance was 70% and 60% of the District's total expenses in 2018 and 2017, respectively. Administration expenses equaled 25% and 25% of the total expenses in 2018 and 2017, 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, 2018, the combined balance of the governmental cash funds of Manalapan Township Fire District No. 1 was approximately \$960,400. This balance is approximately \$354,700 higher than last year's combined governmental funds balance. The increase is due primarily to the surplus in operations and capital expenditures.

The combined balance of the governmental funds of Manalapan Township Fire District No. 1 was approximately \$2.92 million. Unreserved fund balance amounted to \$782,400 of that total.

## General Fund Budgetary Highlights

The Board presented a balanced budget to the voters for approval, which was approved. The 2018 Budget had a surplus and did not require the utilization of unrestricted surplus accumulated from prior years. The balance of accumulated surplus is available for future budget periods as undesignated surplus in the General Fund.

The District had total revenues in excess of expenditures of approximately \$261,700 in 2018, and approximately \$362,400 in 2017. The year ending December 31, 2019 is expected to generate a small surplus.

Administrative actual expenses were approximately 20% less than projected in 2018. Operating expenses were approximately 13% less than projected in 2018.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of December 31, 2018 Manalapan Township Fire District No. 1 had invested in capital assets for government activities \$1,671,539 (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, 2018

	2018	2017	Change
Vehicles & Apparatus	\$3,537,832	\$3,611,832	(74,000)
Fire Equipment	<u>442,019</u>	<u>423,740</u>	+18,279
Total Capital Assets	3,979,851	4,035,572	(55,721)
Accumulated Depreciation	<u>(2,308,312)</u>	<u>(2,194,882)</u>	+113,430
Investment in Capital Assets – net	<u>\$1,671,539</u>	<u>\$1,840,690</u>	(169,151)

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**

As of December 31, 2018 Manalapan Township Fire District No. 1 had capital leases outstanding in the amount of approximately \$338,500 of which approximately \$120,300 is due within one year. The Board is purchasing fire apparatus in 2019 under a capital lease.

In addition, as of December 31, 2018, Manalapan Township Fire District No. 1 has a length of service awards program liability of approximately \$3.85 million. Additional information on the District's LOSAP Program can be found in Note 8 in the notes of the financial statements.

## **ECONOMIC FACTORS AND NEXT YEARS BUDGET**

In 2018, Manalapan Township Fire District No. 1 was able to cover all its appropriations through the fire tax levy and other revenues. In 2018 the fire tax levy amounted to 96% of total revenue collected.

Manalapan Township Fire District No. 1 adopted their 2019 budget on January 16, 2019. The voters subsequently approved the budget at the February election. The Board is not utilizing any of the General Fund surplus in the 2019 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 Manalapan Township Fire District No. 1, P.O. Box 395, Manalapan, New Jersey, 07726.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Statement of Net Position**  
**December 31, 2018**

	<b>Governmental Activities</b>
	<b><u>2018</u></b>
<b>Assets:</b>	
<b>Current assets:</b>	
Cash (Note 3)	\$ 960,428
Prepaid insurance	74,461
Total current assets	1,034,889
<b>Noncurrent assets:</b>	
Investment in length of service awards program (Note 4)	2,081,074
Total noncurrent assets	2,081,074
<b>Capital assets, net:</b>	
Depreciable (Note 5)	1,671,539
Total capital assets	1,671,539
Total assets	4,787,502
<b>Deferred outflows of resources:</b>	
Deferred outflows related to pension (Note 7)	8,542
Deferred outflows related to length of service awards programs (Note 8)	529,508
Total deferred outflows of resources	538,050
Total assets and deferred outflows of resources	\$ 5,325,552
<b>Liabilities:</b>	
<b>Current liabilities:</b>	
Accounts payable	\$ 104,830
Accrued professional fees	9,500
Accrued interest	1,820
Accrued pension	2,542
Capital lease payable (Note 6)	120,339
Total current liabilities	239,031
<b>Noncurrent liabilities:</b>	
Capital lease payable (Note 6)	218,186
Net pension liability (Note 7)	45,607
Net length of service awards program liability (Note 8)	3,847,834
Total noncurrent liabilities	4,111,627
Total liabilities	4,350,658
<b>Deferred inflows of resources:</b>	
Deferred inflows related to pension (Note 7)	36,456
Deferred inflows related to length of service awards programs (Note 8)	45,371
Total deferred inflows of resources	81,827
Total liabilities and deferred inflows of resources	4,432,485
<b>Net position:</b>	
Net investment in capital assets	1,333,014
<b>Restricted for:</b>	
Capital	61,151
Unrestricted (Note 14)	(501,098)
Total net position	893,067
Total liabilities, deferred inflows of resources and net position	\$ 5,325,552

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, 2018**

	<b>Governmental Activities</b>	
	<b>Expenses</b>	<b>2018</b>
Government activities:		
Operation appropriations:		
Administration	\$ 389,169	\$ 389,169
Costs of operations and maintenance	1,111,686	1,111,686
Length of service awards program contribution	75,371	75,371
Interest expense	10,017	10,017
Total government activities	\$ 1,586,243	\$ 1,586,243
General revenues:		
Miscellaneous revenue		64,820
Amount raised by taxation		1,721,470
Total general revenues		1,786,290
Change in net position		200,047
Net position, January 1		693,020
Net position, December 31		\$ 893,067

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, 2018**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>December 31, 2018</u>
<b>Assets:</b>				
<b>Current assets:</b>				
Cash	\$ 960,428	\$ -	\$ -	\$ 960,428
Other receivable	-	61,151	-	61,151
Total assets	<u>960,428</u>	<u>61,151</u>	<u>-</u>	<u>1,021,579</u>
<b>Noncurrent assets</b>				
Investment in length of service awards program	2,081,074	-	-	2,081,074
Total noncurrent assets	<u>2,081,074</u>	<u>-</u>	<u>-</u>	<u>2,081,074</u>
Total assets	<u>\$ 3,041,502</u>	<u>\$ 61,151</u>	<u>\$ -</u>	<u>\$ 3,102,653</u>
<b>Liabilities, equity and other credits:</b>				
Accounts payable	\$ 104,830	\$ -	\$ -	\$ 104,830
Accrued professional fees	9,500	-	-	9,500
Accrued pension	2,542	-	-	2,542
Other payable	61,151	-	-	61,151
Total liabilities	<u>178,023</u>	<u>-</u>	<u>-</u>	<u>178,023</u>
<b>Fund balances</b>				
<b>Restricted for:</b>				
Capital	-	61,151	-	61,151
Investment in length of service awards program	2,081,074	-	-	2,081,074
<b>Unassigned, reported in:</b>				
General fund	782,405	-	-	782,405
Total fund balance	<u>2,863,479</u>	<u>61,151</u>	<u>-</u>	<u>2,924,630</u>
Total liabilities and fund balance	<u>\$ 3,041,502</u>	<u>\$ 61,151</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.

74,461

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$3,979,851 and the accumulated depreciation is \$2,308,312.

1,671,539

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

456,223

Accrued interest not recorded in current financial statements.

(1,820)

Long-term liabilities are not due and payable in the current period and are therefore not reported as liabilities in the funds.

(4,231,966)

Net assets of governmental activities

\$ 893,067

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, 2018**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total December 31, 2018</u>
<b>Revenues:</b>				
Miscellaneous anticipated revenue:				
Investment income - unrestricted cash and investments	\$ 169	\$ -	\$ -	\$ 169
Investment income - length of service awards program	56,605	-	-	56,605
Other revenue	8,046	-	-	8,046
<b>Total miscellaneous revenues</b>	<b>64,820</b>	<b>-</b>	<b>-</b>	<b>64,820</b>
<b>Total revenues</b>	<b>64,820</b>	<b>-</b>	<b>-</b>	<b>64,820</b>
Amount raised by taxation to support district budget	1,543,555	50,000	127,915	1,721,470
<b>Total anticipated revenues</b>	<b>1,608,375</b>	<b>50,000</b>	<b>127,915</b>	<b>1,786,290</b>
<b>Expenditures:</b>				
Operating appropriations:				
Administration:				
Salaries and wages	53,182	-	-	53,182
Fringe benefits	5,277	-	-	5,277
Other expenditures:				
Professional fees	24,113	-	-	24,113
Fire prevention and training	27,929	-	-	27,929
Insurance	132,932	-	-	132,932
Building utilities and maintenance	108,234	-	-	108,234
Office supplies	37,502	-	-	37,502
<b>Total administration</b>	<b>389,169</b>	<b>-</b>	<b>-</b>	<b>389,169</b>
Cost of operations and maintenance:				
Other expenditures:				
Truck operations	92,372	-	-	92,372
Fire house rentals	187,636	-	-	187,636
Fire hydrant rentals	286,048	-	-	286,048
Equipment, radios and communications	126,434	-	-	126,434
Medical fees	14,266	-	-	14,266
<b>Total cost of operations and maintenance</b>	<b>706,756</b>	<b>-</b>	<b>-</b>	<b>706,756</b>
Length of service awards program				
Administrative fees	12,502	-	-	12,502
Participant withdrawals	62,869	-	-	62,869
<b>Total length of service awards program</b>	<b>75,371</b>	<b>-</b>	<b>-</b>	<b>75,371</b>
Debt service for capital appropriations:				
Capital leases	-	-	117,284	117,284
Interest on capital leases	-	-	10,631	10,631
<b>Total debt service for capital appropriations</b>	<b>-</b>	<b>-</b>	<b>127,915</b>	<b>127,915</b>
<b>Total governmental expenditures</b>	<b>1,171,296</b>	<b>-</b>	<b>127,915</b>	<b>1,299,211</b>
Excess (efficiency) of revenues over (under) expenditures	437,079	50,000	-	487,079
Fund balance, January 1	2,426,400	11,151	-	2,437,551
<b>Fund balance, December 31</b>	<b>\$ 2,863,479</b>	<b>\$ 61,151</b>	<b>\$ -</b>	<b>\$ 2,924,630</b>

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, 2018**

Total net changes in Fund Balance-Governmental Funds (B-2) \$ 487,079

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.

	18,279	
Capital Outlays-General Fund		
Depreciation Expense	(187,430)	(169,151)

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.

	(79,389)	
Prior year		
Current year	74,461	(4,928)

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.

	12,465	
Pension expense	12,465	12,465

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.

117,284

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

	2,434	
Prior year		
Current year	(1,820)	614

Length of service awards program contribution is not reported in governmental funds as expenditures. However, in the statement of net position, the expense is equal to the amount of contributions to the volunteers accounts as determined by the benefit terms. Change in value of LOSAP investments is not a revenue in the government wide financial statements as it is payable to the volunteers in accordance with the plan benefits.

	(243,316)	
Length of service awards program expense	(243,316)	(243,316)

		\$ 200,047
Changes in net position of governmental activities		\$ 200,047

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Notes to Financial Statements**  
**For the year ended December 31, 2018**

**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, 2018:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
Lou Caruana	2021
Ken Kelly	2021
Daniel LaRocca	2019
George Schmatz	2020
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, 2018**

**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 and GASB Statement No. 80, Blending Requirements for Certain Component Units. The District had no component units as of for the year ended December 31, 2018.

**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 2 N) 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.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Fund Accounting (continued)**

Funds are classified into 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.

*Capital Projects Fund*

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

*Debt Service Fund*

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

**C. District Wide and Fund Financial Statements**

*District Wide Financial Statements*

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

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. District Wide and Fund Financial Statements (continued)**

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

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

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units. However, the fiduciary funds are not included in the district-wide statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*Fund Financial Statements*

The fund financial statements provide detail of the governmental 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.



**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Basis of Accounting (continued)**

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).

**E. Budgets and Budgetary Accounting**

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

The fire commissioners must introduce and approve the annual budget no later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the Fire District. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the fire commissioners may, by majority vote, adopt the budget.

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

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

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

**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 as of December 31, 2018.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Cash and Cash Equivalents**

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

N.J.S.A. 17:9-42 requires New Jersey governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the provision of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in the State of New Jersey.

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

**H. Prepaid Expenses**

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

**I. Debt Limitation**

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

**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:

Equipment	5 to 15 Years
Trucks and vehicles	8 to 20 Years

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**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.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**O. Fund Equity (continued)**

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.

**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.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**S. Impact of Recently Issued Accounting Principles**

*Adopted Accounting Pronouncements*

The following GASB Statements became effective for the fiscal year ended December 31, 2018:

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 had no material impact on 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 does not have a material impact on the District's financial statements.

*Recently Issued Accounting Pronouncements*

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

Statement No. 83, Certain Asset Retirement Obligations. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management does not expect this Statement to have a material impact on the District's financial statements.

Statement No. 84, Fiduciary Activities. The Statement intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. To that end, Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Statement No. 84 is effective for reporting periods beginning after December 15, 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, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**S. Impact of Recently Issued Accounting Principles (continued)**

Statement No. 87, Leases. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. Statement No. 87 is effective for reporting periods beginning after December 15, 2019. Management has not yet determined the potential impact on the District's financial statements.

Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The Governmental Accounting Standards Board (GASB) has issued a new standard with guidance the GASB believes will enhance debt-related disclosures in notes to financial statements, including those addressing direct borrowings and direct placements. The new standard clarifies which liabilities governments should include in their note disclosures related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management has not yet determined the potential impact on the District's financial statements.

**T. 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:

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**T. Fair Value Measurement (continued)**

*Fixed Account Investment Contract:* Valued at the contract's market value as reported by the insurance company.

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The table in Note 4 sets forth by level, within the fair value hierarchy, the District's assets at fair value as of December 31, 2018.

**U. Unrealized Gains and Losses**

Governmental Accounting Standards Board (GASB) has established GASB-31, which requires public agencies to report the financial effect of all unrealized gains and losses on invested funds. As of December 31, 2018, the unrealized gains for the Fire District were not considered to be material to the financial statements taken as a whole, and accordingly, have not been reflected in the financial statements.

**V. Subsequent Events**

Fire District No. 1 of the Township of Manalapan has evaluated subsequent events occurring after December 31, 2018 through the date of June 21, 2019, 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, 2018, and reported at fair value are as follows:

**Deposits:**

Demand Deposits	\$ 960,428
Total Deposits	<u>\$ 960,428</u>

**Reconciliation to Governmental Fund Statements:**

Governmental Funds	\$ 960,428
Total	<u>\$ 960,428</u>

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 3: CASH (continued)**

**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, 2018, the District's bank balance of \$960,428 was insured or collateralized as follows:

Insured	\$ 250,000
Collateralized in the District's name under GUDPA	<u>710,428</u>
Total	<u>\$ 960,428</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.

**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, 2018, 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;
- 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;



**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 4: INVESTMENTS (continued)**

**C. Investment Credit Risk (continued)**

- 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, 2018:

<b>Assets at Fair Value as of December 31, 2018</b>				
	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Length of service awards program:				
Fixed account investment contract	\$ -	\$ -	\$ 2,081,074	\$ 2,081,074
Total LOSAP at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,081,074</u>	<u>\$ 2,081,074</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, 2018:

	<b>Level III Assets</b>
	<b>Year Ended</b>
	<b><u>December 31, 2018</u></b>
Balance, beginning of year	\$ 1,855,734
Purchases, sales, issuances and settlements (net)	168,735
Gains & (Losses)	<u>(56,605)</u>
Balance, end of year	<u>\$ 2,081,074</u>

**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.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 5: CAPITAL ASSETS (continued)**

Fixed assets consisted of the following at December 31, 2018:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Capital assets:				
Capital assets that are being depreciated:				
Equipment	\$ 423,740	\$ 18,279	\$ -	\$ 442,019
Trucks and vehicles	3,611,832	-	(74,000)	3,537,832
Total capital assets being depreciated	<u>4,035,572</u>	<u>18,279</u>	<u>(74,000)</u>	<u>3,979,851</u>
Total capital assets	<u>4,035,572</u>	<u>18,279</u>	<u>(74,000)</u>	<u>3,979,851</u>
Less: accumulated depreciation:				
Equipment	(174,167)	(147,335)	-	(321,502)
Trucks and vehicles	(2,020,715)	(40,095)	74,000	(1,986,810)
Total accumulated depreciation	<u>(2,194,882)</u>	<u>(187,430)</u>	<u>74,000</u>	<u>(2,308,312)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>\$ 1,840,690</u>	<u>\$ (169,151)</u>	<u>\$ -</u>	<u>\$ 1,671,539</u>

**NOTE 6: NONCURRENT LIABILITIES**

During the fiscal year ended December 31, 2018, the following changes occurred in liabilities reported in long-term liabilities:

	<u>Balance</u> <u>12/31/2017</u>	<u>Accrued/</u> <u>increases</u>	<u>(Retired)/</u> <u>(decreases)</u>	<u>Balance</u> <u>12/31/2018</u>	<u>Due within</u> <u>One Year</u>
Governmental activities:					
Obligations under capital lease	\$ 455,809	\$ -	\$ (117,284)	\$ 338,525	\$ 120,339
Net pension liability	54,653	-	(9,046)	45,607	-
Net length of service awards program liability	3,068,529	779,305	-	3,847,834	-
Total	<u>\$ 3,578,991</u>	<u>\$ 779,305</u>	<u>\$ (126,330)</u>	<u>\$ 4,231,966</u>	<u>\$ 120,339</u>

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, 2018.

For the year ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 338,525</u>	<u>\$ 13,241</u>	<u>\$ 351,766</u>

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 7: PENSION OBLIGATIONS**

**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 <http://www.nj.gov/treasury/pensions/financial-reports.shtml>.

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

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 7: PENSION OBLIGATIONS (continued)**

**Public Employees' Retirement System (PERS) (continued)**

**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 2018, 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. For the year ended December 31, 2018, the District's contractually required contribution to PERS plan was \$2,304.

**Components of Net Pension Liability** – At December 31, 2018, the District's proportionate share of the PERS net pension liability was \$45,607. The net pension liability was measured as of June 30, 2018. 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, 2017, which was rolled forward to June 30, 2018. 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, 2018. The District's proportion measured as of June 30, 2018, was 0.0002316300% which was a decrease of 0.0000031515% from its proportion measured as of June 30, 2017.

**Balances at December 31, 2018 and December 31, 2017**

	<u>12/31/2018</u>	<u>12/30/2017</u>
Actuarial valuation date (including roll forward)	June 30, 2018	June 30, 2017
Deferred Outflows of Resources	\$ 8,452	\$ 12,763
Deferred Inflows of Resources	36,456	44,096
Net Pension Liability	45,607	54,653
Fire District No. 1 of the Township of Manalapan's portion of the Plan's total Net Pension Liability	0.00023%	0.00023%

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 7: PENSION OBLIGATIONS (continued)**

**Public Employees' Retirement System (PERS) (continued)**

**Pension Expense and Deferred Outflows/Inflows of Resources** – At December 31, 2018, the District's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2018 measurement date is \$535. At December 31, 2018, 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>
Differences between Expected and Actual Experience	\$ 870	\$ 235
Changes of Assumptions	7,515	14,583
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	428
Changes in Proportion and Differences between Fire District No. 1 of the Township of Manalapan's Contributions and Proportion Share of Contributions	<u>67</u>	<u>21,210</u>
	<u>\$ 8,452</u>	<u>\$ 36,456</u>

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 7: PENSION OBLIGATIONS (continued)**

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

The District will amortize the above sources of deferred outflows and inflows related to PERS over the following number of years:

	<b><u>Deferred Outflow of Resources</u></b>	<b><u>Deferred Inflow of Resources</u></b>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	5.63	-
Changes in Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
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	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
Changes in Proportion and Differences between Fire District No. 1 of the Township of Manalapan's 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
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 7: PENSION OBLIGATIONS (continued)**

**Public Employees' Retirement System (PERS) (continued)**

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PERS that will be recognized in future periods:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2019	\$ (12,815)
2020	(8,715)
2021	(2,642)
2022	(2,945)
2023	<u>(887)</u>
	<u>\$ (28,004)</u>

**Actuarial Assumptions** – The total pension liability for the June 30, 2018 measurement date was determined by using an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation	2.25%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%
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.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 7: PENSION OBLIGATIONS (continued)**

**Public Employees' Retirement System (PERS) (continued)**

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, 2017 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 (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long –Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100.00%</u>	



**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 7: PENSION OBLIGATIONS (continued)**

**Public Employees' Retirement System (PERS) (continued)**

**Discount Rate** – The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% 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 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the District's proportionate share of the Net Pension Liability to Changes in the Discount Rate** – The following presents the District's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.66%) or 1-percentage-point higher (6.66%) than the current rate:

	1 % Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Fire District No. 1 of the Township of Manalapan's Proportionate Share of the Net Pension Liability	<u>\$ 57,345</u>	<u>\$ 45,607</u>	<u>\$ 35,759</u>

**NOTE 8: LENGTH OF SERVICE AWARDS PROGRAM**

**Length of Service Awards Program (LOSAP)**

**Plan Description** – 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 assets of the plan are invested in a fixed-income Group Annuity Contract with MassMutual Life Insurance Company under which MassMutual pools funds invested for various Length of Service Awards Program customers along with funds in The MassMutual's general account. Interest income is provided at an average rate of return of approximately 3.0% for 2018 and there is a guaranteed minimum return of 3%.

**Contributions** - 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. For the year ended December 31, 2018, the District's contractually required contribution to the plan was \$231,604.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 8: LENGTH OF SERVICE AWARDS PROGRAM (continued)**

**Basis of Presentation** - The accompanying schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of LOSAP 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.

**Components of Net Pension Liability** - At December 31, 2018, the District's net pension liability relating to the length of service awards program was \$3,847,834. The net pension liability was measured as of September 14, 2018. The net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of September 15, 2017, which was rolled forward to September 14, 2018. The components of the net pension liability at December 31, 2018, were as follows:

**Collective Balances at December 31, 2018**

	<u>12/31/2018</u>
Actuarial valuation date	September 14, 2018
Deferred Outflows of Resources	\$ 529,508
Deferred Inflows of Resources	45,371
Plan Fiduciary Liability	-
Net Pension Liability	3,847,834
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 0.00%

The following table shows the Changes in the Net Pension Liability as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
<b>Balances at 1/1/18</b>	\$ 3,068,529	\$ -	\$ 3,068,529
<b>Changes for the year:</b>			
Service cost	142,706	-	142,706
Interest	115,128	-	115,128
Changes of benefit terms	-	-	-
Differences between expected and actual experience	30,766	-	30,766
Changes in assumptions	564,930	-	564,930
Benefit payments and expenses	<u>(74,225)</u>	<u>-</u>	<u>(74,225)</u>
<b>Net Changes</b>	779,305	-	779,305
<b>Balances at 12/31/2018</b>	<u>\$ 3,847,834</u>	<u>\$ -</u>	<u>\$ 3,847,834</u>

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 8: LENGTH OF SERVICE AWARDS PROGRAM (continued)**

**Pension Expense** – The pension expense, calculated by the plan as of the December 31, 2018 measurement date is \$317,541 as follows:

Note	Description	Amount
A	Service Cost	\$ 142,706
B	Interest on the total pension liability	115,128
A	Changes of benefits terms	-
C	Differences between expected and actual experience	3,418
C	Changes of assumptions	<u>56,289</u>
	Total Pension Expense Relating to LOSAP	<u>\$ 317,541</u>

**Notes:**

- A Provided in the Changes in Net Pension Liability exhibit  
B Based on the following calculation:

	Amount for Period (1)	Portion of Period (2)	Projected Rate of Return (3)	Projected Earnings (1) x (2) x (3)
Beginning total pension liability	\$ 3,068,529	100%	3.79%	\$ 116,297
Service cost (End of Year)	142,706	0%	3.79%	-
Benefits Payments	(61,694)	50%	3.79%	<u>(1,169)</u>
Total interest on the total pension liability				<u>\$ 115,128</u>

- C Provided in summary of deferred outflows and deferred inflows

**Deferred Outflows/Inflows of Resources** - At December 31, 2018, the District's reported deferred outflows of resources and deferred inflows of resources related to the length of service awards program from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 27,348	\$ -
Changes of Assumptions	502,160	45,371
	<u>\$ 529,508</u>	<u>\$ 45,371</u>

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 8: LENGTH OF SERVICE AWARDS PROGRAM (continued)**

The District will amortize the above sources of deferred outflows and inflows related to the length of service awards program over the following number of years:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between Expected and Actual Experience		
Year of LOSAP Plan Deferral:		
December 31, 2018	9.00	9.00
 Changes of Assumptions		
Year of LOSAP Plan Deferral:		
December 31, 2018	9.00	9.00

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to the length of service awards program that will be recognized as pension expense in future periods:

<u>Year Ended December 31,</u>	<u>Amount</u>
2019	\$ 59,707
2020	59,707
2021	59,707
2022	59,707
2023	59,707
Thereafter	<u>185,602</u>
	<u>\$ 484,137</u>

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 8: LENGTH OF SERVICE AWARDS PROGRAM (continued)**

**Actuarial Assumptions** – The total pension liability was determined by an actuarial valuation as of September 15, 2017 rolled forward to September 14, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	0.00%
Salary Increases:	Not Applicable
Investment Rate of Return	3.79%
	net of pension plan investment expense, including inflation
Mortality Rate Table	No pre-retirement mortality Post retirement: RP2000 projected to 2030
Retirement	First eligible
Turnover	T5
Disability	None

The above is a summary of key actuarial assumptions. Full descriptions of the actuarial assumptions are available in the January 1, 2018 actuarial valuation report.

**Discount Rate** – The discount rate used to measure the total pension liability was 3.79% which is based on the 20-year AA general obligation bond rate as of September 14, 2018.

**Sensitivity of the District’s Net Pension Liability to Changes in the Discount Rate** - The following presents the District’s net pension liability calculated using the discount rate as disclosed above, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.79%) or 1-percentage-point higher (4.79%) than the current rate:

	<b>1% Decrease <u>(2.79%)</u></b>	<b>Current Discount Rate <u>(3.79%)</u></b>	<b>1% Increase <u>(4.79%)</u></b>
Net Pension Liability - LOSAP	<u>\$ 4,120,305</u>	<u>\$ 3,847,834</u>	<u>\$ 3,569,334</u>

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 9: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

**NOTE 10: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The purpose of the interfunds is for short-term borrowing. As of December 31, 2018, the following interfund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
General	\$ -	\$ 61,151
Capital projects	<u>61,151</u>	<u>-</u>
Totals	<u>\$ 61,151</u>	<u>\$ 61,151</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 11: 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, 2018, the fire tax rate on the Fire District No. 2 was approximately \$.044 per \$100 of assessed valuation.

**NOTE 12: FUND BALANCE**

**General Fund** – Of the \$2,863,479 General Fund fund balance at December 31, 2018, \$2,081,074 is restricted for investment in length of service awards program and \$782,405 is unassigned.

**Capital Projects Fund** – Of the \$61,151 Capital Projects Fund fund balance at December 31, 2018, \$61,151 is restricted for capital.

**NOTE 13: 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:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	218,751
2020	223,126
2021	227,588
2022	232,140
2023	216,690

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2018**

**NOTE 14: DEFICIT UNRESTRICTED NET POSITION**

As reflected on Exhibit A-1, Statement of Net position, a deficit in unrestricted net position of \$(501,098) existed as of December 31, 2018 for governmental activities. The primary cause of this deficit is the recording of the long-term liability for net pension and the long-term liability for the LOSAP obligation. In accordance with full accrual accounting, which is the basis of accounting for Exhibit A-1, Statement of Net position, such liabilities are required to be recorded in the period in which they are incurred. However, in accordance with the rules and regulations that govern the District in the formulation of their annual budget (see Note 1), pension liabilities that relate to future services, or that are contingent on a specific event outside the control of the District and its employees, are funded in the period in which such services are rendered or in which such events take place. Therefore, this deficit in unrestricted net position for governmental activities does not indicate that the District is facing financial difficulties.

**NOTE 15: SUBSEQUENT EVENT**

At the December 17, 2018 board meeting, the board approved to finance the purchase of a 100-foot mid-mount ladder truck for \$1,296,725.94. As of the date of this report, the truck has been ordered and has an anticipated delivery date of February 2020.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Budgetary Comparison Schedule**  
**For the year ended December 31, 2018**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ -	\$ -	\$ 169	\$ 169
Other revenue	-	-	8,046	8,046
Total miscellaneous revenues	-	-	8,215	8,215
Total revenues	-	-	8,215	8,215
Amount raised by taxation to support district budget	1,721,470	1,721,470	1,721,470	-
Total anticipated revenues	1,721,470	1,721,470	1,729,685	8,215
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	52,998	53,198	53,182	16
Fringe benefits	-	5,300	5,277	23
Other expenditures:				
Professional fees	25,000	25,000	24,113	887
Fire prevention and training	30,000	30,000	27,929	2,071
Insurance	156,860	156,860	132,932	23,928
Building utilities and maintenance	208,000	169,007	108,234	60,773
Office supplies	45,312	47,052	37,502	9,550
Total administration	518,170	486,417	389,169	97,248
Cost of operations and maintenance:				
Other expenditures:				
Truck operations	121,000	121,000	92,372	28,628
Fire house rentals	199,387	199,387	187,636	11,751
Fire hydrant rentals	321,828	321,828	286,048	35,780
Contingencies	10,000	10,000	-	10,000
Equipment, radios and communications	157,300	145,650	126,434	19,216
Medical fees	17,870	17,870	14,266	3,604
Total cost of operations and maintenance	827,385	815,735	706,756	108,979



FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN  
Budgetary Comparison Schedule  
For the year ended December 31, 2018

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Capital appropriations:				
Chiefs Vehicle	50,000	52,622	-	52,622
Total capital appropriations	<u>50,000</u>	<u>52,622</u>	<u>-</u>	<u>52,622</u>
Length of service award program	198,000	244,150	244,106	44
Debt service for capital appropriations:				
Capital lease principal	117,284	117,284	117,284	-
Interest on capital lease	10,631	10,631	10,631	-
Total debt service for capital appropriations	<u>127,915</u>	<u>127,915</u>	<u>127,915</u>	<u>-</u>
Total governmental expenditures	<u>1,721,470</u>	<u>1,726,839</u>	<u>1,467,946</u>	<u>258,893</u>
Excess (deficiency) of revenues under (over) expenditures	-	(5,369)	261,739	267,108
Fund balance, January 1	<u>581,817</u>	<u>581,817</u>	<u>581,817</u>	<u>-</u>
Fund balance, December 31	<u>\$ 581,817</u>	<u>\$ 576,448</u>	<u>\$ 843,556</u>	<u>\$ 267,108</u>

RECAPITULATION OF FUND BALANCE

Restricted fund balance:			
Capital reserve			\$ 61,151
Assigned fund balance:			
Designated for subsequent year's expenditures			
Unassigned fund balance			<u>782,405</u>
Total - budgetary basis			843,556
Reconciliation to governmental fund statements (GAAP):			
Length of service award program investment balance not recognized on the budgetary basis			<u>2,081,074</u>
Total fund balance per governmental funds (GAAP)			<u>\$ 2,924,630</u>

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Notes to the Required Supplementary Information**  
**Budget-to-GAAP Reconciliation**  
**For the year ended December 31, 2018**

	<b>Total Governmental Funds</b>
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) "Revenue" From the Budgetary Comparison Schedule (C-1)	\$ 1,729,685
Difference - Budget to GAAP:	
Budgetary basis differs from GAAP in that the District does not budget for length of service award program investment income. GASB 73 requires the investment appreciation in the length of service award program to be shown in financial statements using the current financial resources measurement focus and modified accrual basis of accounting:	
Appreciation in fair value of investments	56,605
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 1,786,290</u>
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Appropriations" From the Budgetary Comparison Schedule (C-1)	\$ 1,467,946
Budgetary basis differs from GAAP in that the District is required to budget for contributions to the length of service award program. Expenditures under the current financial resources measurement focus and modified accrual basis of accounting are limited to the benefits paid in accordance with the Plan.	
Length of service award program district contribution	(244,106)
Life insurance premiums	12,502
Participant withdrawals	62,869
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 1,299,211</u>

**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 Six Fiscal Years \*\***

	Measurement Date Ended December 31,					
	2018	2017	2016	2015	2014	2013
District's Proportion of the Net Pension Liability	0.00023%	0.00023%	0.00024%	0.00024%	0.00050%	0.00062%
District's Proportionate Share of the Net Pension Liability	\$ 45,607	\$ 54,653	\$ 70,043	\$ 52,926	\$ 93,638	\$ 118,353
District's Covered-Employee Payroll	\$ 35,724	\$ 35,440	\$ 34,588	\$ 34,588	\$ 34,588	\$ 33,543
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	127.66%	154.21%	202.51%	153.02%	270.72%	352.84%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	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 Six Fiscal Years \*\*

	Year Ended December 31,					
	2018	2017	2016	2015	2014	2013
District's Contractually Required Contribution	\$ 2,304	\$ 2,175	\$ 2,101	\$ 2,027	\$ 4,123	\$ 4,666
District's Contribution in Relation to the Contractually Required Contribution	(2,304)	(2,175)	(2,101)	(2,027)	(4,123)	(4,666)
District's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	\$ 35,724	\$ 35,724	\$ 35,440	\$ 34,588	\$ 34,588	\$ 34,588
District's Contributions as a Percentage of it's Covered-Employee Payroll	6.45%	6.09%	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**  
**Changes in the Net Pension Liability and Related Ratios**  
**Length of Service Awards Program (LOSAP)**  
**Last Ten Fiscal Years**

	2018	2017
Total pension liability:		
Service cost	\$ 142,706	\$ 122,703
Interest	115,128	101,298
Changes in benefit terms	-	-
Differences between expected and actual experience	30,766	-
Changes in assumptions	564,930	(58,333)
Payments for benefits and admin expenses	(74,225)	(72,688)
Net change in total pension liability	779,305	92,980
Total pension liability - beginning	3,068,529	2,975,549
Total pension liability - ending	\$ 3,847,834	\$ 3,068,529
Net pension liability - LOSAP	\$ 3,847,834	\$ 3,068,529
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%
District's covered payroll	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A
Expected average remaining service years for all participants	9	9

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, 2018**

**Public Employees' Retirement System (PERS)**

*Changes of Benefit Terms*

None.

*Changes of Assumptions*

The discount rate changed from 5.00% as of June 30, 2017, to 5.66% as of June 30, 2018.

**Length of Service Awards Program (LOSAP)**

*Changes of Benefit Terms*

None.

*Changes of Assumptions*

Discount rate, pre-retirement mortality eliminated, and post-retirement mortality changed to RP2000 projected to 2030.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN**  
**Long-Term Debt**  
**Schedule of Obligations Under Capital Leases**  
**For the year ended December 31, 2018**

<u>Description</u>	<u>Date of Lease</u>	<u>Term of Lease</u>	<u>Amount of Original Issue</u>		<u>Annual Maturity Date</u>	<u>Interest Rate Payable</u>	<u>Amount Outstanding</u>		<u>Issued</u>	<u>Retired</u>	<u>Amount Outstanding December 31, 2018</u>
			<u>Principal</u>	<u>Interest</u>			<u>January 1, 2018</u>	<u>December 31, 2018</u>			
Apparatus	4/15/2016	5 years	\$ 594,401	\$ 44,969	1/15/19	2.58%	\$ 455,809	\$ -	\$ 117,284	\$ 338,525	
					4/15/19		29,795				
					7/15/19		29,987				
					10/15/19		30,181				
					1/15/20		30,376				
					4/15/20		30,571				
					7/15/20		30,769				
					10/15/20		30,967				
					1/15/21		31,167				
					4/15/21		31,368				
					7/15/21		31,570				
							31,774				
					<b>Total</b>		<b>\$ 455,809</b>	<b>\$ -</b>	<b>\$ 117,284</b>	<b>\$ 338,525</b>	



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Board of Fire Commissioners  
Fire District No. 1 of the Township of Manalapan  
County of Monmouth  
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, 2018. 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.I*).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 performed.

**Budget**

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

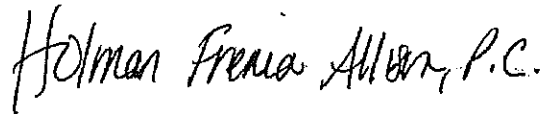
**General Ledger**

The general ledger was complete with the required journal entries.

**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.

Should you have any questions, please contact us.



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

June 21, 2019  
Toms River, New Jersey