

**TOWNSHIP OF MANALAPAN  
FIRE DISTRICT NO. 2  
MONMOUTH COUNTY, NEW JERSEY**

**Financial Statements**

**December 31, 2010 and 2009**

**With Independent Auditors' Report**

**Township of Manalapan Fire District No. 2**  
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**December 31, 2010 and 2009**

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**BOARD OF FIRE COMMISSIONERS  
MANALAPAN TOWNSHIP FIRE DISTRICT #2  
P.O. BOX 54  
TENNENT, NEW JERSEY 07763**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Township of Manalapan Fire District No. 2's financial performance provides an overview of the District's financial activities for the year ended December 31, 2010.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provides information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities, these statements tell how district services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as a Board for the benefit of those outside of the government.

**Reporting on the District as a Whole**

**The Statement of Net Assets and the Statement of Activities**

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base and the condition of the District's equipment to assess the overall health of the District.

In the Statement of Net Assets and the Statement of Activities, we divide the District into two kinds of activities;

- General Fund activities – Most of the District's basic services are reported here. Property Tax Levies finance most of these activities.
- Capital Fund activities – The District's equipment acquisitions are financed by prior levies and approved by the taxpayers. The District's acquisitions are reported here.

## Reporting on the District's Most Significant Funds

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants.

- General funds – Most of the District's basic services are reported in general funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The general fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. General fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between general fund activities (reported in the Statement of Net Assets and the Statement of Activities) and capital funds in reconciliation at the bottom of the fund financial statements.

### The District as a Board

#### Reporting on the District's Fiduciary Responsibilities

The District is a board of commissioners for the safety and protection of the residents within its boundaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### THE DISTRICT AS A WHOLE

For the year ended December 31, 2010, net assets changed as follows:

	2010 GAAP Basis		Total	Increase (Decrease) over 2009	Percentage Increase (Decrease)
	General Fund Activities	Capital Fund Activities			
Assets					
Current and other assets	\$ 583,975	\$ 618,519	\$ 1,202,494	\$ (217,711)	(15.33%)
Capital assets	-	2,669,674	2,669,674	170,329	6.81%
Total assets	<u>\$ 583,975</u>	<u>\$ 3,288,193</u>	<u>\$ 3,872,168</u>	<u>\$ (47,382)</u>	(1.21%)
Total liabilities	\$ 303,421	\$ 1,140,000	\$ 1,443,421	\$ (192,773)	(11.78%)
Net assets					
Invested in capital assets, net of accumulated depreciation and related debt			1,366,050	366,705	36.69%
Restricted for capital acquisitions			112,022	(285,492)	(71.82%)
Unrestricted			950,675	64,178	7.24%
Total net assets			<u>2,428,747</u>	<u>145,391</u>	6.37%
Total liabilities and net assets			<u>\$ 3,872,168</u>	<u>\$ (47,382)</u>	(1.21%)

The District's increase in net assets signifies an improved financial condition.

### Governmental Activities

The General Fund is mainly to provide fire protection to its residents, educate the public as to fire prevention and precaution, and to train qualified personnel. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose. Capital Fund Activities are mainly to provide for the acquisition of major fire equipment for fire extinguishment.

## THE DISTRICT'S FUNDS

The following schedule presents a summary of general, capital fund revenues and expenditures for the fiscal year ended December 31, 2010 and the amount and percentage of increases and decreases in relation to the prior year.

	2010 GAAP Basis	Percentage of Total Revenues	Increase (Decrease) over 2009	Percentage Increase (Decrease)
Revenues				
District taxes	\$ 1,010,396	98.99%	\$ 35,782	3.67%
Supplemental fire services grant	2,631	0.26%	(766)	(22.55%)
Interest income	12,736	1.25%	(1,856)	(12.72%)
Miscellaneous income	-	0.00%	(4,022)	(100.00%)
Loss on disposal of fixed assets	(5,043)	(0.50%)	(5,043)	100.00%
	<u>\$ 1,020,720</u>	<u>100.00%</u>	<u>\$ 24,095</u>	<u>2.42%</u>

As with prior years, district revenues experienced a moderate increase this year.

	2010 GAAP Basis	Percentage of Total Expenditures	Increase (Decrease) over 2009	Percentage Increase (Decrease)
Expenditures				
Salaries and wages	\$ 83,012	9.48%	\$ 7,814	10.39%
Fringe benefits	62,461	7.14%	6,471	11.56%
Election	770	0.09%	1	0.13%
Dues	1,905	0.22%	153	8.73%
Office expenses and supplies	26,823	3.06%	1,757	7.01%
Professional services	47,031	5.37%	(7,243)	(13.35%)
Travel expenses	28,596	3.27%	6,634	30.21%
Communication expenses	17,450	1.99%	2,107	13.73%
Purchase of assets not included as capital outlays	27,904	3.19%	19,308	224.62%
Promotion	420	0.05%	(1,529)	(78.45%)
Insurance	80,642	9.21%	(4,554)	(5.35%)
Maintenance and repairs	78,261	8.94%	15,719	25.13%
Contractual	52,264	5.97%	-	0.00%
Other rental charges	101,300	11.57%	-	0.00%
Uniforms	10,270	1.17%	6,186	151.47%
Training	434	0.05%	346	393.18%
Computer expenses	5,188	0.59%	(1,994)	(27.76%)
Communication equipment	189	0.02%	(1,018)	(84.34%)
First Aid	10,000	1.14%	-	100.00%
Interest on BAN and serial bonds	56,734	6.48%	5,625	11.01%
Depreciation expense	183,675	21.00%	13,270	7.79%
	<u>\$ 875,329</u>	<u>100.00%</u>	<u>\$ 69,053</u>	<u>8.56%</u>

Some expenditures are contractual in nature and because of market fluctuations, they can vary from year to year depending on the circumstances. Overall, the District experienced an increase in total expenditures of approximately \$69,000, or 9%, due to the rising costs of operations.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board revised the General Fund budget once. This budget amendment was a transfer within appropriations as a precaution to avoid over expending individual line items.

The budget relied on the expectation of a moderate increase in the district tax base. The district tax base increased, resulting in an increase in the tax rate which produced a revenue increase of \$35,780.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

For the year ended December 31, 2010, capital assets changed as follows:

	GAAP Basis	Additions/ Transfer In	Disposals/ Transfer Out	GAAP Basis	Increase (Decrease)
Capital assets					
Land	\$ 420,903	\$ -	\$ -	\$ 420,903	0.00%
Leasehold Improvements	555,776	31,007	-	586,783	5.58%
Equipment	844,878	58,957	23,866	879,969	4.15%
Trucks and vehicles	2,404,115	-	-	2,404,115	0.00%
Leasehold Improvements (in progress)	32,952	285,491	18,547	299,896	810.10%
Equipment (in progress)	6,467	8,606	6,467	8,606	33.08%
	<u>4,265,091</u>	<u>384,061</u>	<u>48,880</u>	<u>4,600,272</u>	7.86%
Accumulated depreciation	<u>1,765,746</u>	<u>183,675</u>	<u>18,823</u>	<u>1,930,598</u>	9.34%
Capital assets, net	<u>\$ 2,499,345</u>	<u>\$ 200,386</u>	<u>\$ 30,057</u>	<u>\$ 2,669,674</u>	6.81%

The District accounted for its purchase of various equipments and work done on the kitchen and bath project in the current year.

### Debts

At year end, the District had \$1,140,000 in capital serial bonds outstanding versus \$1,300,000 last year – a decrease of 12%.

#### Outstanding Debt at Year End Government Activities

	12/31/10	12/31/09
Serial Bond	\$ 1,140,000	\$ 600,000
Bond Anticipation Note	-	700,000
Total Debts	<u>\$ 1,140,000</u>	<u>\$ 1,300,000</u>

More detailed information about the District's long-term liabilities is presented in Note 10 and 11 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

With the increase in district taxes experienced this year, next year's general fund budget was determined based on an increase due to an increase in the district tax base and a higher tax rate. Some of the significant capital asset items approved in this year's budget will be deferred to subsequent years.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our District's citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Clerk's office at P.O. Box 54, Tennent, New Jersey, 07763.



Richard Hogan, Chairman  
Board of Fire Commissioners



WithumSmith+Brown, PC  
Certified Public Accountants and Consultants

1144 Hooper Avenue, Suite 202  
Toms River, NJ 08753 USA  
732 341 8728 . fax 732 341 8787  
www.withum.com

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## Independent Auditors' Report

Board of Fire Commissioners  
Township of Manalapan Fire District No. 2  
Monmouth County, New Jersey

We have audited the accompanying financial statements of the Township of Manalapan Fire District No. 2, as of and for the years ended December 31, 2010 and 2009. These general purpose financial statements are the responsibility of the Fire District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audits.

We conducted our audits 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 the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Township of Manalapan Fire District No. 2, as of December 31, 2010 and 2009, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 3, 2011 on our consideration of the Township of Manalapan Fire District No. 2's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report and considered in assessing the results of our audits.

The Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual included in the contents of this report are not a required part of the basic financial statements but are supplementary information required by accounting principles generally





accepted in the United States of America. Certain limited procedures have been applied to the Management's Discussion and Analysis, primarily consisting of inquiries of management; however, we did not audit the information and express no opinion on it. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual and other schedules as listed in the table of contents as required by the Division of Local Government Services Department of Community Affairs, State of New Jersey have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audits have been made for the purpose of forming an opinion on the financial statements taken as a whole. The Statistical Information and Roster of Officials are supplementary information presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Ronald C. Petrics".

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Ronald C. Petrics  
Registered Municipal Accountant (#474)

August 3, 2011



WithumSmith+Brown, PC  
Certified Public Accountants and Consultants

1144 Hooper Avenue, Suite 202  
Toms River, NJ 08753 USA  
732 341 8728 . fax 732 341 8787  
www.withum.com

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**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  
Township of Manalapan Fire District No. 2  
Monmouth County, New Jersey

We have audited the financial statements of Township of Manalapan Fire District No. 2 Monmouth County, New Jersey as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated August 3, 2011. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in compliance with the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Township of Manalapan Fire District No. 2 is responsible for establishing and maintaining effective internal control. In planning and performing our audits, we considered Township of Manalapan Fire District No. 2's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Township of Manalapan Fire District No. 2's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Township of Manalapan Fire District No. 2's internal control over financial reporting.

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 significant deficiency, or combination of significant deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Township of Manalapan Fire District No. 2 Monmouth County, New Jersey 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*.

This report is intended solely for the information and use of the Board of Commissioners and the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Ronald C. Petrics".

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Ronald C. Petrics  
Registered Municipal Accountant (#474)

August 3, 2011

**Township of Manalapan Fire District No. 2**  
**County of Monmouth**  
**Statement of Net Assets and Governmental Funds Balance Sheet**  
**December 31, 2010**

	General Fund	Capital Fund	Total	Adjustments (Note 2)	Statement of Net Assets
<b>Assets</b>					
Cash and investments	\$ 575,290	\$ 618,519	\$ 1,193,809	\$ -	\$ 1,193,809
Prepaid expenses	8,685	-	8,685	-	8,685
Interfund receivable	186,454	-	186,454	(186,454)	-
Capital assets, net	-	-	-	2,669,674	2,669,674
Amount to be provided for retirement of debt	-	1,140,000	1,140,000	(1,140,000)	-
	<u>\$ 770,429</u>	<u>\$ 1,758,519</u>	<u>\$ 2,528,948</u>	<u>\$ 1,343,220</u>	<u>\$ 3,872,168</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	\$ 24,997	\$ -	\$ 24,997	\$ -	\$ 24,997
Encumbrances payable	7,549	-	7,549	-	7,549
PERSPP	8,461	-	8,461	-	8,461
Reserve for LOSAP trust	90,915	-	90,915	-	90,915
Accrued interest	-	-	-	7,875	7,875
Capital lease payable - current	-	-	-	38,104	38,104
Serial bonds payable - current	-	250,000	250,000	-	250,000
Interfund payable	-	186,454	186,454	(186,454)	-
Improvement authorizations	-	112,022	112,022	(112,022)	-
Total current liabilities	131,922	548,476	680,398	(252,497)	427,901
Other liabilities:					
Capital lease payable - long-term	-	-	-	125,520	125,520
Serial bonds payable - long-term	-	890,000	890,000	-	890,000
Total liabilities	131,922	1,438,476	1,570,398	(252,497)	1,443,421
<b>Fund Balances and Net Assets</b>					
Fund balances:					
Reserved:					
Appropriation reserves	212,703	-	212,703	(212,703)	-
Unreserved:					
Designated for subsequent years'					
expenditures	245,975	125,000	370,975	(370,975)	-
Undesignated	179,829	195,043	374,872	(374,872)	-
Total fund balances	<u>638,507</u>	<u>320,043</u>	<u>958,550</u>	<u>(958,550)</u>	<u>-</u>
	<u>\$ 770,429</u>	<u>\$ 1,758,519</u>	<u>\$ 2,528,948</u>		
<b>Net Assets</b>					
Invested in capital assets, net of accumulated depreciation and related debts				1,366,050	1,366,050
Restricted for capital acquisitions				112,022	112,022
Unrestricted				950,675	950,675
				<u>\$ 2,428,747</u>	<u>\$ 2,428,747</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**Township of Manalapan Fire District No. 2**  
**County of Monmouth**  
**Statement of Net Assets and Governmental Funds Balance Sheet**  
**December 31, 2009**

	General Fund	Capital Fund	Total	Adjustments (Note 2)	Statement of Net Assets
<b>Assets</b>					
Cash and investments	\$ 848,317	\$ 549,379	\$ 1,397,696	\$ -	\$ 1,397,696
Prepaid insurance	22,509	-	22,509	-	22,509
Interfund receivable	-	99,037	99,037	(99,037)	-
Capital assets, net	-	-	-	2,499,345	2,499,345
Amount to be provided for retirement of debt	-	1,300,000	1,300,000	(1,300,000)	-
	<u>\$ 870,826</u>	<u>\$ 1,948,416</u>	<u>\$ 2,819,242</u>	<u>\$ 1,100,308</u>	<u>\$ 3,919,550</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	\$ 48,054	\$ -	\$ 48,054	\$ -	\$ 48,054
Encumbrances payable	995	-	995	-	995
PERSPP	4,816	-	4,816	-	4,816
Reserve for LOSAP trust	67,235	-	67,235	-	67,235
Accrued interest	-	-	-	15,094	15,094
Capital lease payable - current	-	-	-	36,376	36,376
Bond anticipation notes	-	700,000	700,000	-	700,000
Serial bonds payable - current	-	160,000	160,000	-	160,000
Interfund payable	99,037	-	99,037	(99,037)	-
Improvement authorizations	-	397,514	397,514	(397,514)	-
Total current liabilities	220,137	1,257,514	1,477,651	(445,081)	1,032,570
Other liabilities:					
Capital lease payable - long-term	-	-	-	163,624	163,624
Serial bonds payable - long-term	-	440,000	440,000	-	440,000
Total liabilities	220,137	1,697,514	1,917,651	(445,081)	1,636,194
<b>Fund Balances and Net Assets</b>					
Fund balances:					
Reserved:					
Appropriation reserves	174,860	-	174,860	(174,860)	-
Unreserved:					
Designated for subsequent years'					
expenditures	230,714	-	230,714	(230,714)	-
Undesignated	245,115	250,902	496,017	(496,017)	-
Total fund balances	<u>650,689</u>	<u>250,902</u>	<u>901,591</u>	<u>(901,591)</u>	<u>-</u>
	<u>\$ 870,826</u>	<u>\$ 1,948,416</u>	<u>\$ 2,819,242</u>		
<b>Net Assets</b>					
Invested in capital assets, net of accumulated depreciation and related debts				999,345	999,345
Restricted for capital acquisitions				397,514	397,514
Unrestricted				886,497	886,497
				<u>\$ 2,283,356</u>	<u>\$ 2,283,356</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**Township of Manalapan Fire District No. 2**  
**County of Monmouth**  
**Statement of Activities and Governmental Fund Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Year Ended December 31, 2010**

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures:					
Operating appropriations	\$ 968,804	\$ -	\$ 968,804	\$ (93,475)	\$ 875,329
Capital appropriations	<u>63,000</u>	<u>-</u>	<u>63,000</u>	<u>(63,000)</u>	<u>-</u>
Total expenditures	1,031,804	-	1,031,804	(156,475)	875,329
Revenues and other financing sources:					
General revenues:					
District taxes	1,010,396	-	1,010,396	-	1,010,396
Supplemental fire services grant	2,631	-	2,631	-	2,631
Interest income	6,595	6,141	12,736	-	12,736
Loss on disposal of fixed assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,043)</u>	<u>(5,043)</u>
Total general revenues	1,019,622	6,141	1,025,763	(5,043)	1,020,720
Transfers:					
Reserve for future capital outlays	<u>-</u>	<u>63,000</u>	<u>63,000</u>	<u>(63,000)</u>	<u>-</u>
Total transfers	<u>-</u>	<u>63,000</u>	<u>63,000</u>	<u>(63,000)</u>	<u>-</u>
Total general revenues and transfers	<u>1,019,622</u>	<u>69,141</u>	<u>1,088,763</u>	<u>(68,043)</u>	<u>1,020,720</u>
Excess (deficit) of revenues over expenditures	(12,182)	69,141	56,959	(56,959)	-
Change in net assets	-	-	-	145,391	145,391
Fund balances/net assets					
Beginning of the year	<u>650,689</u>	<u>250,902</u>	<u>901,591</u>	<u>1,381,765</u>	<u>2,283,356</u>
End of year	<u>\$ 638,507</u>	<u>\$ 320,043</u>	<u>\$ 958,550</u>	<u>\$ 1,470,197</u>	<u>\$ 2,428,747</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**Township of Manalapan Fire District No. 2**  
**County of Monmouth**  
**Statement of Activities and Governmental Fund Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Year Ended December 31, 2009**

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures:					
Operating appropriations	\$ 906,279	\$ -	\$ 906,279	\$ (100,003)	\$ 806,276
Capital appropriations	<u>43,000</u>	<u>-</u>	<u>43,000</u>	<u>(43,000)</u>	<u>-</u>
Total expenditures	949,279	-	949,279	(143,003)	806,276
Revenues and other financing sources:					
General revenues:					
District taxes	974,614	-	974,614	-	974,614
Supplemental fire services grant	3,397	-	3,397	-	3,397
Interest income	8,207	6,385	14,592	-	14,592
Miscellaneous income	<u>4,022</u>	<u>-</u>	<u>4,022</u>	<u>-</u>	<u>4,022</u>
Total general revenues	990,240	6,385	996,625	-	996,625
Transfers:					
Reserve for future capital outlays	<u>-</u>	<u>43,000</u>	<u>43,000</u>	<u>(43,000)</u>	<u>-</u>
Total transfers	-	43,000	43,000	(43,000)	-
Total general revenues and transfers	<u>990,240</u>	<u>49,385</u>	<u>1,039,625</u>	<u>(43,000)</u>	<u>996,625</u>
Excess of revenues over expenditures	40,961	49,385	90,346	(90,346)	-
Change in net assets	-	-	-	190,349	190,349
Fund balances/net assets					
Beginning of the year	<u>609,728</u>	<u>201,517</u>	<u>811,245</u>	<u>1,281,762</u>	<u>2,093,007</u>
End of year	<u>\$ 650,689</u>	<u>\$ 250,902</u>	<u>\$ 901,591</u>	<u>\$ 1,381,765</u>	<u>\$ 2,283,356</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**Township of Manalapan Fire District No. 2**  
**Notes to Basic Financial Statements**  
**December 31, 2010 and 2009**

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**1. Summary of Significant Accounting Policies**

The accounting policies of the Township of Manalapan Fire District No. 2 (District) conform to the accounting principles applicable to special districts which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. For the years ended December 31, 2010 and 2009, the financial statements of the Township of Manalapan Fire District No. 2 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

The district is an instrumentality of the State of New Jersey, established to function as a special district. The Board of Fire Commissioners consists of elected officials and is responsible for the fiscal control of the District.

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 the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the District over which the board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

**B. Basis of Presentation**

*Combined Fund and Government-wide Financial Statements*

As a special purpose governmental entity engaged in a single governmental program the District has opted to present its financial data in the form of combined fund and government-wide financial statements to simplify their annual financial reporting process.

The accounts of the district are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types". The District does not maintain any proprietary or fiduciary funds.

Governmental Fund Types

*General Fund:* The general fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund.

*Capital Fund:* The capital fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities.

In conformity with GASB 34, the District's combined fund and government-wide financial statements present adjustments to reconcile the general and capital fund balances to net assets.



**Township of Manalapan Fire District No. 2**  
**Notes to Basic Financial Statements**  
**December 31, 2010 and 2009**

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**1. Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation (Continued)**

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

**C. Basis of Accounting**

*Fund Basis of Accounting*

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, expendable 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. 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.

Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its fire districts the entire balance of taxes in the amount voted upon or certified prior to the end of the year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

*Government-wide Basis of Accounting*

The government-wide statements are presented using the accrual basis of accounting. Under the full accrual basis, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

**D. Budgets/Budgetary Control**

Annual budgets are prepared each year for the operations of the fire districts. The budgets are approved by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The budgets are then voted upon by the public.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and the fund basis of accounting previously described. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at year end.

**E. 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. Specific encumbrances in governmental funds are reported as liabilities at year end as they do not constitute expenditures, but rather commitments related to unperformed contracts for goods and services.

The encumbered appropriation authority carries over into the following year. The balance of the unencumbered appropriations is recorded as a reserve to fund balance for unrecorded expenditures and commitments that pertain to the prior year. At the end of the following year, an entry will be made to fund balance for the unexpended appropriations of the prior year.

**Township of Manalapan Fire District No. 2**  
**Notes to Basic Financial Statements**  
**December 31, 2010 and 2009**

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**1. Summary of Significant Accounting Policies (Continued)**

**F. Fixed Assets**

In the fund financial statements, fixed assets used in governmental operations are accounted for as expenditures of the government fund upon acquisition.

In the government-wide basis of accounting, fixed assets are accounted for as capital assets. The District generally capitalizes assets with a cost of \$400 or more as outlays occur. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable.

Depreciation of all fixed assets is recorded as an operating expense in the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances with accumulated depreciation reflected in the Statement of Net Assets and Governmental Funds Balance Sheet. Depreciation is provided over the assets' estimated useful lives using the straight line method of depreciation, generally 10-20 years for fire trucks and vehicles, 5-10 years for equipment, and 7-40 years for leasehold improvements.

**G. Interfund Transactions and Balances**

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Transfers between the general and capital fund of the District net to zero on the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those loans are reported as interfund receivables and payables on the fund basis of accounting. Interfund payables and receivables between funds are eliminated in the Statement of Net Assets and Governmental Funds Balance Sheet.

**H. Fund Equity**

*Fund Basis*

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

*Government-wide Basis*

Equity is classified as net assets and is displayed in three components:

- a. Invested in capital assets, net – Consists of capital assets, net of accumulated depreciation and related debt.
- b. Restricted for capital acquisitions – Current balance consists of net assets restricted for the expansion of the fire house, purchase of real property, fire truck, brush truck and equipment.
- c. Unrestricted net assets – All net assets that do not meet the definition of “restricted” or “invested in capital assets, net”.

**2. Adjustments to Arrive at Net Assets**

**A. Capital Assets and Net Assets Invested in Capital Assets**

For the years ended December 31, 2010 and 2009 capital assets, net in the amount of \$2,669,674 and \$2,499,345, respectively, and invested in capital assets, net of accumulated depreciation and related debts in the amount of \$1,366,050 and \$999,345, respectively, have been included in the government-wide presentation.

**B. Interfund Receivables and Payables**

For the years ended December 31, 2010 and 2009 interfund balances in the amount of \$186,454 and \$99,037, respectively have been eliminated in arriving at the government-wide presentation.

**Township of Manalapan Fire District No. 2**  
**Notes to Basic Financial Statements**  
**December 31, 2010 and 2009**

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**2. Adjustments to Arrive at Net Assets (Continued)**

**C. Fund Balances, Unrestricted Net Assets, and Net Assets Restricted for Capital Acquisitions**

For the years ended December 31, 2010 and 2009, fund balances in the amount of \$958,550 and \$901,591, respectively, have been eliminated. Unrestricted net assets in the amount of \$950,675 and \$886,497 respectively, and net assets restricted for capital acquisitions in the amount of \$112,022 and \$397,514, respectively, have been included in the government-wide presentation.

**D. Improvement Authorizations**

Improvement authorizations, which are liabilities that represent the District's earmarking of fund balances for a specified future project, do not represent liabilities as defined by U.S. generally accepted accounting principles. Therefore, for the years ended December 31, 2010 and 2009 improvement authorizations in the amount of \$112,022 and \$397,514, respectively, have been eliminated in arriving at the government-wide presentation.

**E. Amount to Be Provided for Retirement of Debt**

For the years ended December 31, 2010 and 2009 amounts to be provided for retirement of debt in the amount of \$1,140,000 and \$1,300,000, respectively, have been eliminated in arriving at the government-wide presentation.

**F. Lease Payable**

Capital lease installments are reported as an expense in the year the payments are made for budgetary purposes. For GAAP purpose, the outstanding lease amount is recorded as liability. Therefore, for the year ended December 31, 2010 and 2009 the lease payable in the amount of \$163,624 and \$200,000, respectively, have been included in government-wide presentation.

**G. Accrued Interest**

Accrued interest is not an expense for budgetary purpose. For GAAP purpose it is a liability and an expense; therefore, for the year ended December 31, 2010 and 2009 the accrued interest in the amount of \$7,875 and \$15,094, respectively, have been included in the government-wide presentation.

**3. Adjustments to Arrive at the Change in Net Assets**

**A. Operating Appropriations**

For the year ended December 31, 2010, depreciation expense in the amount of \$183,675 has been included in the government-wide presentation. Additionally, to account for fixed asset purchases expensed under the fund basis of accounting, purchase of assets not included as capital outlay expense has been decreased by \$51,656, uniforms have been decreased by \$18,029, maintenance has been decreased by \$15,140, repairs has been decreased by \$12,906, computer expenses have been decreased by \$8,202, and communication equipment has been decreased by \$3,998. In addition, principal payments on serial bonds expense have been decreased by \$160,000. The interest on bond anticipation note and serial bonds is also decreased by \$7,219. The net effect on operating appropriations is a decrease of \$93,475.

For the year ended December 31, 2009, depreciation expense in the amount of \$170,405 and accrued interest on bond anticipation note in the amount of \$15,094 have been included in the government-wide presentation. Additionally, to account for fixed asset purchases expensed under the fund basis of accounting, purchase of assets not included as capital outlay expense has been decreased by \$81,948, uniforms have been decreased by \$14,464, maintenance has been decreased by \$18,549, computer expenses have been decreased by \$9,957, and communication equipment has been decreased by \$5,584. In addition, principal payments on serial bonds expense have been decreased by \$155,000. The net effect on operating appropriations is a decrease of \$100,003.

**Township of Manalapan Fire District No. 2**  
**Notes to Basic Financial Statements**  
**December 31, 2010 and 2009**

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**3. Adjustments to Arrive at the Change in Net Assets (continued)**

**B. Capital Appropriations**

For the years ended December 31, 2010 and 2009, reserve for future capital outlays has been reduced by \$63,000 and \$43,000, respectively, on the government-wide presentation to eliminate the general fund expenditure and capital fund revenue related to the creation of improvement authorizations.

**C. Revenues**

For the year ended December 31, 2010 loss on disposition of assets in the amount of \$5,043 has been included in the government-wide presentation to capture the disposal of assets that were not fully depreciated.

For the year ended December 31, 2009 the District has no loss on disposition of assets to be included in the government-wide presentation to capture the disposal of assets that were not fully depreciated.

**4. Deposits and Investments**

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation ("FDIC"), or by any other agency of the United States that insures deposits or the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5 percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. The State of New Jersey Cash Management fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which mature within one year. Collateralization of fund investments is generally not required.

The cash on deposit is partially insured by federal deposit insurance in the amount of \$250,000 in each depository. Balances above the federal deposit insurance amount are insured by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., which insures all New Jersey governmental units' deposits in excess of the federal deposit insurance maximums. Cash determined by the Board of Commissioners, consists of all bank accounts including certificates of deposits. The rates for the certificates of deposit range from .35 to 1.0 percent.

As of December 31, 2010 the District's cash accounts consisted of:

	<u>2010</u>	<u>2009</u>
Brunswick Bank & Trust – Checking	\$ 7,288	\$ 4,017
Brunswick Bank & Trust – Payroll	2,229	1,933
Brunswick Bank & Trust – Savings-General	142,362	244,409
Brunswick Bank & Trust – Savings-Capital	4,313	47,304
Brunswick Bank & Trust – CDs	1,037,578	1,099,994
Petty Cash	39	39
Total Cash	<u>\$ 1,193,809</u>	<u>\$ 1,397,696</u>

**Township of Manalapan Fire District No. 2**  
**Notes to Basic Financial Statements**  
**December 31, 2010 and 2009**

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**4. Deposit and Investment (Continued)**

The carrying amount of the Board's cash at December 31, 2010 was \$1,193,809 and the bank balance was \$1,243,609. Of the balance, \$250,000 was covered by federal depository insurance and \$993,609 was covered by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., for all New Jersey governmental units' deposits in excess of the federal deposit maximums.

The cash deposits held at financial institutions can be categorized according to three levels of risk as described below:

Category 1	Deposits which are covered by FDIC, or collateralized by securities held by the District or its agent, in the District's name	\$ 250,000
Category 2	Deposits which are collateralized with securities held by the pledging financial institution's trust department, or Agent in the District's name.	993,609
Category 3	Deposits which are not collateralized or insured	39

**Investments**

New Jersey statutes establish the following securities as eligible for the investment of District funds:

- (a) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (b) Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Associates or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- (c) Bonds or other obligations of the District or bonds or other obligations of school districts of which the district is a part or within which the school district is located.
- (d) Bonds or other obligations, having a maturity date of not more than twelve months from the date of purchase, which are approved by the New Jersey Department of Treasury, Division of Investments.
- (e) Qualified mutual funds with portfolios limited to (i) bonds or other obligations of, or guaranteed by, the United States of America; and (ii) repurchase agreements fully collateralized by such obligations. These investments must be transacted only through national or state banks located within New Jersey.

During the year, the District had none of its idle funds invested in repurchase agreements collateralized by eligible securities. At the close of the year, no such investments were held by the District.

**5. Assessment and Collection of Money Authorized By Voters**

Upon proper certification pursuant to Section 9 of P.L. 1979 c. 453 (C.40[A]:14-78.5), the assessor of the municipality, in which the fire district is situated, shall assess the amount to be raised by taxation to support the district budget against the taxable property therein, in the same manner as municipal taxes are assessed and the same amount shall be assessed, levied and collected at the same time and in the same manner as other municipal taxes.

The collector or treasurer of the municipality, in which said district is situated, shall pay over all moneys so assessed to the treasurer or custodian of funds of said fire district as follows; on or before

**Township of Manalapan Fire District No. 2**  
**Notes to Basic Financial Statements**  
**December 31, 2010 and 2009**

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**5. Assessment and Collection of Money Authorized By Voters (Continued)**

April 1, an amount equaling 21.25% of all moneys so assessed; on or before July 1, an amount equaling 22.5% of all monies so assessed; on or before October 1, an amount equaling 25% of all monies so assessed; and on or before December 31, an amount equaling the difference between the total of all monies so assessed and the total amount of such monies previously paid over, to be held and expended for the purpose of providing and maintaining means for extinguishing fires in such district.

Notwithstanding anything herein to the contrary, the municipal governing body may authorize, in the cash management plan adopted by it pursuant to N.J.S. 40A:5-14, a schedule of payments of fire districts moneys by which an amount greater than required on any of the first three payment dates cited herein may be paid over. The municipal governing body and board of fire commissioners may, by concurrent resolution, adopt a schedule of payments of fire district moneys by which an amount less than required in any of the first three payment dates, cited herein may be paid over. Such resolution shall be included in the cash management plan adopted by the municipal governing body pursuant to N.J.S. 40A:5-14.

The commissioners may also pay back, or cause to be paid back to such municipality, any funds or any part thereof paid to the treasurer or custodian of funds of such fire district by the collector or treasurer of the municipality, representing taxes levied for fire district purposes but not actually collected in cash by said collector or treasurer.

**6. Funding**

The activities of the Township of Manalapan Fire District No. 2 are primarily funded by the striking of a fire tax on the property owners of the Fire District, as provided for by state statute. For the years ended December 31, 2010 and 2009, the fire tax rate on Fire District No. 2 was \$.047 and \$.041, respectively, per \$100 of assessed valuation.

The tax revenue is supplemented by income earned on surplus funds invested in certificates of deposit and savings during the year.

The District also participates in the Supplemental Fire Services Program. For the years ended December 31, 2010 and 2009, the District received amount of \$2,631 and \$3,397, respectively.

**7. LOSAP**

The District maintains a LOSAP (Length of Service Awards Program) plan. The plan is considered to be a deferred compensation plan for volunteers and the contribution is not based on compensation. New Jersey Statutes set the contribution limits. The contributions for 2010 and 2009 were \$30,320 and \$37,900, respectively.

**8. Pension Plan**

Plan Description

The employees of the Township of Manalapan Fire District No. 2 contribute to the Public Employee's retirement System Pension Plan (PERSPP), a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits. PERSPP provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The State of New Jersey assigns the authority to establish and amend benefit provisions to the PERSPP Board of Trustees. The State of New Jersey Retirement system issues a publicly available financial report that includes financial statements and required supplementary information for PERSPP.

**Township of Manalapan Fire District No. 2**  
**Notes to Basic Financial Statements**  
**December 31, 2010 and 2009**

**8. Pension Plan (Continued)**

Funding Policy

Plan members are required to contribute 5.50% of their annual covered salary for PERSP. The contribution requirements of plan members are established and may be amended by the PERSP Board of Trustees. The PERSP expense for 2010 and 2009 was \$8,461 and \$1,990, respectively.

**9. Capital Assets**

The following schedule is a summarization of the capital assets by source for the year ended December 31, 2010:

	Balance As Of <u>12/31/09</u>	Additions/ Transfer in	Disposal/ Transfer out	Balance As Of <u>12/31/10</u>
Land	\$ 420,903	\$ -	\$ -	\$ 420,903
Leasehold Improvements	555,776	31,007	-	586,783
Equipment	844,878	58,957	23,866	879,969
Trucks & Vehicles	2,404,115	-	-	2,404,115
Leasehold Improvement (In Progress)	32,952	285,491	18,547	299,896
Equipment (In Progress)	<u>6,467</u>	<u>8,606</u>	<u>6,467</u>	<u>8,606</u>
	<u>\$ 4,265,091</u>	<u>\$ 384,061</u>	<u>\$ 48,880</u>	<u>\$ 4,600,272</u>
Accumulated Depreciation	<u>\$ 1,765,746</u>	<u>\$ 183,675</u>	<u>\$ 18,823</u>	<u>\$ 1,930,598</u>

Depreciation expense for the years ended December 31, 2010 and 2009 amounted to \$183,675 and \$170,405, respectively.

**10. Long-Term Debt**

Serial Bonds

The District's long-term debt consisted of the following at December 31, 2010:

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance As Of 12/31/10</u>
Expansion of Fire House, Fire Trucks and Ladder	10/15/96	\$1,025,000	3.95% - 5.70%	\$ 100,000
Land Improvements, Chassis and Generator	01/15/02	\$ 850,000	4.60%	340,000
Pierce Quantum Pumper	04/01/10	\$ 700,000	4.50%	<u>700,000</u>
Total Serial Bonds Payable				\$ 1,140,000
Less: Current Maturities of Serial Bonds Payable				<u>250,000</u>
Serial Bonds Payable, Long-Term				<u>\$ 890,000</u>

**Township of Manalapan Fire District No. 2**  
**Notes to Basic Financial Statements**  
**December 31, 2010 and 2009**

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**10. Long-Term Debt (continued)**

Future debt service requirements for serial bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 250,000	\$ 49,425	\$ 299,425
2012	150,000	36,895	186,895
2013	160,000	29,835	189,835
2014	160,000	22,545	182,545
2015	70,000	17,325	87,325
2016 and after	350,000	39,332	389,332
Total	<u>\$ 1,140,000</u>	<u>\$ 195,357</u>	<u>\$ 1,335,357</u>

**11. Bond Anticipation Note**

On April 2, 2009, the District issued a \$700,000 bond anticipation note bearing interest rate of 2.875%. The note matured on April 2, 2010 and was replaced with a 10 year serial bond bearing a 4.5% interest rate. The bond was issued for the purchase of one new custom built pumper fire apparatus.

**12. Lease Payable**

On July 1, 2009, the District entered into a lease with option to purchase agreement with New Jersey Fire Equipment Co. for SCBA equipment. The lease is in the amount of \$200,000 for the period of five years at the interest rate of 4.75%.

Future lease installments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Rental Payment</u>
2011	\$ 38,104	\$ 7,772	\$ 45,876
2012	39,914	5,962	45,876
2013	41,810	4,066	45,876
2014	43,796	2,080	45,876
Total	<u>\$ 163,624</u>	<u>\$ 19,880</u>	<u>\$ 183,504</u>

**13. Agreements**

The District has an agreement with Manalapan Township Volunteer Fire Company No. 1 for fire protection services and the use of the premises, expiring February 28, 2011. The amount of consideration for the years ended December 31, 2010 and 2009 was \$101,300 and \$101,300, respectively.

The District also has an agreement with the Englishtown Fire Department for fire protection services, with an expiration date of February 28, 2011. The amount of consideration for the years ended December 31, 2010 and 2009 was \$34,445 and \$34,445, respectively.

Both service agreements were renewed for an additional year.

**14. Risk Assessment**

The District is exposed to various risks of loss related to limited torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.



**Township of Manalapan Fire District No. 2**  
**Notes to Basic Financial Statements**  
**December 31, 2010 and 2009**

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**15. Subsequent Events**

The District has evaluated subsequent events occurring after December 31, 2010 through the date of August 3, 2011, which is the date the financial statements were available to be issued. Based on this evaluation, the District has determined that no subsequent events have occurred which require disclosure in the financial statements.

**Township of Manalapan Fire District No. 2**  
**County of Monmouth**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - All Governmental Fund Types**  
**Year Ended December 31, 2010**

	Governmental Fund Type		Total Actual Amounts			Budgeted Amounts		Budgetary Variance
	General Fund	Capital Fund	Budgetary Basis	Adjustments Note B	GAAP Basis	Original	Final	
<b>Revenues:</b>								
District taxes	\$ 1,010,396	\$ -	\$ 1,010,396	\$ -	\$ 1,010,396	\$ 1,010,396	\$ 1,010,396	\$ -
Supplemental fire services grant	2,631	-	2,631	-	2,631	3,397	3,397	(766)
Interest income	6,595	6,141	12,736	-	12,736	-	-	12,736
Loss on disposal of fixed assets	-	-	-	(5,043) <sup>(2)</sup>	(5,043)	-	-	-
Surplus anticipated unreserved	-	-	-	-	-	230,714	230,714	(230,714)
Total revenues	1,019,622	6,141	1,025,763	(5,043)	1,020,720	1,244,507	1,244,507	(218,744)
<b>Transfers:</b>								
Reserve for future capital outlays	-	63,000	63,000	(63,000)	-	-	-	63,000
Total transfers	-	63,000	63,000	(63,000)	-	-	-	63,000
Total general revenues and transfers	1,019,622	69,141	1,088,763	(68,043)	1,020,720	1,244,507	1,244,507	(155,744)
<b>Expenditures:</b>								
<b>Operating appropriations:</b>								
<b>Administration:</b>								
Election	770	-	770	-	770	3,000	3,000	2,230
Office expenses	10,498	-	10,498	-	10,498	17,650	17,650	7,152
Professional services	40,614	-	40,614	-	40,614	50,000	50,000	9,386
Travel expenses	22,173	-	22,173	-	22,173	20,000	23,000	827
Dues	1,250	-	1,250	-	1,250	2,000	2,000	750
Communication expenses	17,450	-	17,450	-	17,450	18,000	18,000	550
Purchase of assets not included as capital outlays	-	-	-	-	-	7,000	1,500	1,500
Contingent	-	-	-	-	-	2,500	2,500	2,500
Total administration	92,755	-	92,755	-	92,755	120,150	117,650	24,895
<b>Operations and maintenance:</b>								
<b>Salaries and wages:</b>								
Commissioners	31,605	-	31,605	-	31,605	31,605	31,605	-
Secretarial	1,728	-	1,728	-	1,728	1,728	1,728	-
Treasurer	3,450	-	3,450	-	3,450	3,450	3,450	-
Administrator	26,494	-	26,494	-	26,494	29,119	29,119	2,625
Maintenance manager	10,954	-	10,954	-	10,954	10,954	10,954	-
Training officer	2,298	-	2,298	-	2,298	2,298	2,298	-
IT specialist	6,483	-	6,483	-	6,483	6,483	6,483	-
Total salaries and wages	83,012	-	83,012	-	83,012	85,637	85,637	2,625
<b>Fringe benefits:</b>								
LOSAP	54,000	-	54,000	-	54,000	54,000	54,000	-
PERS	8,461	-	8,461	-	8,461	13,000	13,000	4,539
Total fringe benefits	62,461	-	62,461	-	62,461	67,000	67,000	4,539

See Independent Auditors' Report.

The accompanying Notes to Required Supplementary Information are an integral part of this schedule.

**Township of Manalapan Fire District No. 2**  
**County of Monmouth**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - All Governmental Fund Types**  
**Year Ended December 31, 2010**

	Governmental Fund Type		Total Actual Amounts			Budgeted Amounts		Budgetary Variance
	General Fund	Capital Fund	Budgetary Basis	Adjustments Note B	GAAP Basis	Original	Final	
Contractual:								
Fire hydrant service on rentals	17,819	-	17,819	-	17,819	21,000	21,000	3,181
Contracted services provided by volunteer fire companies	34,445	-	34,445	-	34,445	34,445	34,445	-
Total contractual	52,264	-	52,264	-	52,264	55,445	55,445	3,181
Other expenses:								
Promotion	420	-	420	-	420	10,000	10,000	9,580
Training	434	-	434	-	434	6,000	6,000	5,566
Insurance	80,642	-	80,642	-	80,642	125,000	125,000	44,358
Membership dues	655	-	655	-	655	3,500	3,500	2,845
Uniforms	28,299	-	28,299	(18,029) (1)	10,270	30,000	30,000	1,701
Supplies	16,325	-	16,325	-	16,325	22,000	22,000	5,675
Travel expenses	6,423	-	6,423	-	6,423	10,000	7,000	577
Maintenance	61,720	-	61,720	(15,140) (1)	46,580	60,000	66,000	4,280
Repairs	44,587	-	44,587	(12,906) (1)	31,681	40,000	44,000	(587)
Other rental charges	101,300	-	101,300	-	101,300	101,300	101,300	-
Contingent expenses	-	-	-	-	-	6,000	6,000	6,000
Professional services	6,417	-	6,417	-	6,417	20,000	20,000	13,583
Computer expenses	13,390	-	13,390	(8,202) (1)	5,188	25,000	19,000	5,610
Communication equipment	4,187	-	4,187	(3,998) (1)	189	10,000	10,000	5,813
First aid	10,000	-	10,000	-	10,000	10,000	10,000	-
Purchase of assets not included as capital outlays	79,560	-	79,560	(51,656) (1)	27,904	80,877	82,377	2,817
Principal payments on BAN and serial bonds	160,000	-	160,000	(160,000) (1)	-	210,000	210,000	50,000
Interest on BAN and serial bonds	63,953	-	63,953	(7,219) (1)	56,734	83,598	83,598	19,645
Depreciation expense	-	-	-	183,675 (1)	183,675	-	-	-
Total other expenses	678,312	-	678,312	(93,475)	584,837	853,275	855,775	177,463
Total operations and maintenance	876,049	-	876,049	(93,475)	782,574	1,061,357	1,063,857	187,808
Total operating appropriations	968,804	-	968,804	(93,475)	875,329	1,181,507	1,181,507	212,703
Capital appropriations:								
Reserve for future capital outlays	63,000	-	63,000	(63,000)	-	63,000	63,000	-
Total capital appropriations	63,000	-	63,000	(63,000)	-	63,000	63,000	-
Total expenditures	1,031,804	-	1,031,804	(156,475)	875,329	1,244,507	1,244,507	212,703
Excess (deficit) of revenues over expenditures	(12,182)	69,141	56,959	88,432	145,391	\$ -	\$ -	\$ 56,959
Fund balances, beginning of the year	650,689	250,902	901,591	1,381,765 (2)	2,283,356			
Fund balances, end of the year	\$ 638,507	\$ 320,043	\$ 958,550	\$ 1,470,197	\$ 2,428,747			

See Independent Auditors' Report.

The accompanying Notes to Required Supplementary Information are an integral part of this schedule.

**Township of Manalapan Fire District No. 2**  
**Notes To Required Supplementary Information**  
**Years Ended December 31, 2010 and 2009**

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**A. Budgetary Basis of Accounting**

There are no substantial differences between the District's budgetary basis of accounting and the fund basis of accounting described below.

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, expendable 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. 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.

Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its fire districts the entire balance of taxes in the amount voted upon or certified prior to the end of the year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

**B. Budgetary to GAAP Reconciliation**

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

	<u>Change in Fund Balance</u>
(1) Encumbrances for equipment and vehicle purchases are reported as expenses in the year the orders are placed for budgetary purposes. For GAAP purposes, the equipment purchases are capitalized in the year received.	\$ 109,931
Principal debt payments are reported as budgetary expenditures in the year payment is made. For GAAP purposes debt payments are not expenses, but are applied toward the reduction of debt.	160,000
Accrued interest is not an expense for budgetary purpose. For GAAP purposes, it is a liability and an expense.	7,219
Depreciation expense is not recorded on the budgetary basis of accounting. For GAAP purposes, capitalized assets are depreciated on a straight line basis over their respective useful lives.	<u>(183,675)</u>
Net increase in fund balance – budget to GAAP	93,475
(2) Loss on disposition of fixed asset is not recorded on the budgetary basis of accounting. For GAAP purpose, disposal loss is recorded as deduction of current year revenues.	(5,043)
(3) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the District's budget. (See Note A for a description of the District's budgetary accounting method.) This amount differs from the fund balance reported in the statement of revenues, expenditures and changes in fund balances because of the cumulative effect of transactions such as those described above.	<u>1,381,765</u>
	<u>\$ 1,470,197</u>

**Township of Manalapan Fire District No. 2**  
**Notes To Required Supplementary Information**  
**Years Ended December 31, 2010 and 2009**

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**C. Budget Cancellation**

Regulations allow the District to cancel unexpended appropriations before year end by resolution. During the year ended December 31, 2010, the District canceled \$-0- of appropriations resulting in a reservation of fund balance as follows:

Adopted Budget	\$ 1,244,507
Expenditures	<u>1,031,804</u>
Favorable Variance	212,703
Canceled	<u>-</u>
Fund Balance Reserve	<u><u>\$ 212,703</u></u>

**Township of Manalapan Fire District No. 2**  
**County of Monmouth**  
**Schedule of Improvement Authorizations - Capital Fund**  
**Year Ended December 31, 2010**

<u>Purpose</u>	<u>Authorized Appropriation</u>		<u>Balance</u>	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>Balance</u>
	<u>Date</u>	<u>Amount</u>	<u>December 31,</u>	<u>Authorization</u>	<u>Expenditures</u>	<u>Transfers</u>	<u>December 31,</u>
			<u>2009</u>				<u>2010</u>
Kitchen & bath	12/13/06	\$ 130,000	\$ 228,848	\$ -	\$ (285,491)	\$ 114,000	\$ 57,356
Renovate bay floor	12/13/06	30,000	30,000	-	-	(30,000)	-
Opticom system	12/13/06	84,000	84,000	-	-	(84,000)	-
Pierce quantum pumper	12/15/07	700,000	54,666	-	-	-	54,666
			<u>\$ 397,514</u>	<u>\$ -</u>	<u>\$ (285,491)</u>	<u>\$ -</u>	<u>\$ 112,022</u>

See Independent Auditors' Report.

**Township of Manalapan Fire District No. 2**  
**County of Monmouth**  
**Schedule of Improvement Authorizations - Capital Fund**  
**Year Ended December 31, 2009**

<u>Purpose</u>	<u>Authorized Appropriation</u>		<u>Balance</u>	<u>2009</u>	<u>2009</u>	<u>2009</u>	<u>Balance</u>
	<u>Date</u>	<u>Amount</u>	<u>December 31,</u>				<u>Authorization</u>
			<u>2008</u>				<u>2009</u>
Expansion of fire house	02/17/96	\$ 300,000	\$ 2,061	\$ -	\$ -	\$ (2,061)	\$ -
Purchase of real property, fire truck and equipment	02/02/00	850,000	28,955	-	-	(28,955)	-
Purchase of brush truck	10/01/03	125,000	13	-	-	(13)	-
Vestibule	12/07/05	250,000	82,224	-	-	(82,224)	-
Kitchen & bath	12/13/06	130,000	125,100	-	(9,505)	113,253	228,848
Renovate bay floor	12/13/06	30,000	30,000	-	-	-	30,000
Opticom system	12/13/06	84,000	84,000	-	-	-	84,000
Pierce quantum pumper	12/15/07	700,000	-	700,000	(645,334)	-	54,666
			<u>\$ 352,353</u>	<u>\$ 700,000</u>	<u>\$ (654,839)</u>	<u>\$ -</u>	<u>\$ 397,514</u>

See Independent Auditors' Report.

**Township of Manalapan Fire District No. 2**  
**County of Monmouth**  
**Schedule of Deferred Charges to Future Taxation - Capital Fund**  
**Year Ended December 31, 2010**

Purpose	Balance December 31, 2009	2010 Issue	Paid by 2010 Budget Appropriation	Balance December 31, 2010
1996 serial bonds - firehouse & fire trucks	\$ 190,000	\$ -	\$ 90,000	\$ 100,000
2002 serial bonds - land improvements, chasis & generator	410,000	-	70,000	340,000
Bond anticipation note - pierce quantum pumper	700,000	-	700,000	-
2010 serial bond - pierce quantum pumper	-	700,000	-	700,000
	<u>\$ 1,300,000</u>	<u>\$ 700,000</u>	<u>\$ 860,000</u>	<u>\$ 1,140,000</u>



**Township of Manalapan Fire District No. 2**  
**County of Monmouth**  
**Schedule of Deferred Charges to Future Taxation - Capital Fund**  
**Year Ended December 31, 2009**

Purpose	Balance December 31, 2008	2009 Issue	Paid by 2009 Budget Appropriation	Balance December 31, 2009
1996 serial bonds - firehouse & fire trucks	\$ 275,000	\$ -	\$ 85,000	\$ 190,000
2002 serial bonds - land improvements, chasis & generator	480,000	-	70,000	410,000
Bond anticipation note - pierce quantum pumper	-	700,000	-	700,000
	<u>\$ 755,000</u>	<u>\$ 700,000</u>	<u>\$ 155,000</u>	<u>\$ 1,300,000</u>

**Township of Manalapan Fire District No. 2**  
**Statistical Information**  
**Years Ended December 31, 2010 and 2009**

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**Property Tax Levies**

The following is a tabulation of districts assessed valuations, tax levies and property tax rates per \$100 of assessed valuation for the current and preceding nine (10) years:

<u>Fiscal Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2000	\$ 539,762,038	\$ 655,507	\$ 0.122
2001	594,445,055	711,375	0.120
2002	669,809,376	713,898	0.107
2003	713,251,800	788,215	0.111
2004	742,255,646	757,068	0.102
2005	801,378,516	747,723	0.094
2006	861,225,913	745,598	0.087
2007 (Revaluation)	2,130,996,941	809,546	0.038
2008	2,302,335,538	888,318	0.039
2009	2,398,269,561	974,614	0.041
2010	2,153,434,420	1,010,396	0.047

**Unreserved Fund Balance – General Fund**

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
December 31, 2000	\$ 155,898	\$ 30,000
December 31, 2001	264,945	60,000
December 31, 2002	342,220	60,000
December 31, 2003	453,048	60,000
December 31, 2004	584,414	60,000
December 31, 2005	642,073	145,000
December 31, 2006	533,079	193,000
December 31, 2007	399,196	103,410
December 31, 2008	471,604	146,128
December 31, 2009	475,829	230,714
December 31, 2010	425,804	245,975

**Unreserved Fund Balance – Designated – Capital Fund**

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
December 31, 1999	\$ 311,049	\$ -
December 31, 2000	404,666	-
December 31, 2001	507,090	-
December 31, 2002	586,878	-
December 31, 2003	618,897	125,000
December 31, 2004	525,534	-
December 31, 2005	557,731	250,000
December 31, 2006	342,346	244,000
December 31, 2007	154,652	-
December 31, 2008	201,517	-
December 31, 2009	250,902	-
December 31, 2010	320,043	125,000

See Independent Auditors' Report

**Township of Manalapan Fire District No. 2**  
**Roster of Officials**  
**Years Ended December 31, 2010 and 2009**

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<u>Board of Commissioners</u>	<u>Position</u>	<u>Amount of Surety Bond</u>
Richard W. Hogan	Chairperson	\$ 200,000 *
Charles T. Warshany	Vice Chairperson	200,000 *
Timothy D. Kirkland	Treasurer	200,000 *
Joseph F. Spevak	Clerk/Secretary	200,000 *
Patrick Flannery	Vice Secretary	200,000 *

Other Officials

Joseph Youssouf Board Attorney

\* Blanket Bond Coverage

Surety Company

McNeil & Company, Inc.

**Township of Manalapan Fire District No. 2  
Comments and Recommendations  
Years Ended December 31, 2010 and 2009**

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**Scope of Examination and Conditions of Records**

Our examination covered the funds of the Board of Fire Commissioners, Township of Manalapan Fire District No. 2 handled by the Treasurer.

The financial records were maintained in good condition.

Minutes of Board meetings were properly maintained by the Recording Secretary.

**Cash in Banks**

The balances in banks at December 31, 2010 were reconciled with statements issued by the depositories.

Our examination revealed that the Fire District maintains its investments in certificates of deposit.

**Examination of Claims**

Claims paid during the period under review were examined on a test basis to determine that they are submitted on Board vouchers, itemized, signed by the officials as to approval for payment, allocated to the proper accounts and charged to the proper fiscal period, and in agreement with bill list set forth in the approved minutes of the Board.

The District's five (5) Commissioners receive a fee for meeting attendance during the year.

**Contracts and Agreements Required to be Advertised per N.J.S. 40A:11-4**

N.J.S. 40A:11-4 states, "Every contract or agreement, for the performance of any work or the 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 after public act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding the bid threshold of \$21,000 except by contract or agreement". The bid threshold increased to \$26,000 on July 1, 2010 and decreased to \$17,500 on January 1, 2011.

The members of the Township of Manalapan Fire District No. 2 have the responsibility of determining whether any contract or agreement might result in violation of the statute and, when necessary, the Board Attorney's opinion should be sought before a commitment is made.

The results of our examination indicated that no individual payment, contract or agreement was made "for the performance of any work or the furnishing or hiring of any materials or supplies", in excess of the statutory thresholds where there had been advertising for bids in accordance with provisions of N.J.S.A. 40A:11-21.

**Miscellaneous**

An exit conference was held in accordance with the generally accepted governmental auditing standards.

**Acknowledgment**

During the course of the audit, we received the cooperation of the officials of the Fire District and we appreciate the courtesies extended to us.

**Recommendations**

None.

See Independent Auditors' Report

**Township of Manalapan Fire District No. 2  
Comments and Recommendations  
Years Ended December 31, 2010 and 2009**

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**Prior Year Comments**

None.

The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Respectfully submitted,



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Ronald C. Petrics  
Registered Municipal Accountant #474

For the Firm  
WithumSmith & Brown, P.C.

**Township of Manalapan Fire District No. 2  
Schedule of Findings and Recommendations  
Years Ended December 31, 2010 and 2009**

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**Schedule of Financial Statement Findings**

This section identifies the material weaknesses and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulations, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Material Weaknesses**

None

**Township of Manalapan Fire District No. 2**  
**Schedule of Prior Year Findings and Recommendations**  
**Years Ended December 31, 2010 and 2009**

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**Schedule of Prior Year Financial Statement Findings**

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

**Material Weaknesses**

None.