

REPORT OF AUDIT
OF THE
FIRE DISTRICT NO. 2
TOWNSHIP OF NEPTUNE, NEW JERSEY
FOR THE YEAR ENDED DECEMBER 31, 2014

**FIRE DISTRICT NO. 2
TOWNSHIP OF NEPTUNE, NEW JERSEY**

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TOWNSHIP OF NEPTUNE, NEW JERSEY**

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**FIRE DISTRICT NO. 2
TOWNSHIP OF NEPTUNE, NEW JERSEY
OFFICIALS IN OFFICE AND SURETY BONDS**

<u>Name</u>	<u>Amount of Surety Bond</u>
<u>Board of Commissioners</u>	
Robert S. McEwan, Chairman	
Scott Jarner, Secretary	
William Ball, Treasurer	(A)
Edwin Deuchar	
Matthew Gannon	

Other Officials

David M. Shotwell, Jr., Clerk	
Richard J. Cuttrel, Financial Officer	(A)
Ronald G. Cole, Jr., Paid Firefighter, Fire Official	
Scott Liddick, Reserve Paid Firefighter, Fire Inspector, Assistant Fire Official	
James Hundley, Attorney	
Rev. Walter Quigg, Chaplain	
Rev. John DiGiamberardino, Chaplain	

Surety Company

(A) Pennsylvania National provides a blanket position bond which covers the Treasurer and Financial Officer by title for an amount of \$5,000.00 for each position.

FINANCIAL SECTION

ALVINO & SHECHTER, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

110 Fortunato Place

Neptune, New Jersey 07753-3767

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INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District No. 2
Township of Neptune
Ocean Grove, New Jersey 07756

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Township of Neptune Fire District No. 2 in the County of Monmouth, State of New Jersey, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Fire 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; 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 requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, 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 Fire District'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 Fire District's internal control. Accordingly, we express no such opinion.

An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Township of Neptune Fire District No. 2, in the County of Monmouth, State of New Jersey, as of December 31, 2014, and the respective changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 on pages 7 through 14 and 39 through 44 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 Township of Neptune Fire District No. 2's basic financial statements. The related major fund supporting statements and schedules included in the Other Supplementary Information section listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statements and schedules previously referred to are the responsibility of management and were derived from and relate 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 and 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2015, on our consideration of the Township of Neptune 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* in considering the Township of Neptune Fire District No. 2's internal control over financial reporting and compliance.

Respectfully submitted,



Vincent J. Alvino, CPA

ALVINO & SHECHTER, L.L.C.

Certified Public Accountants

Neptune, New Jersey
May 29, 2015

ALVINO & SHECHTER, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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

INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District No. 2
Township of Neptune
Ocean Grove, New Jersey 07756

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities, and each major fund of the Township of Neptune Fire District No. 2, in the County of Monmouth, State of New Jersey, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements, and have issued our report thereon dated May 29, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township of Neptune Fire District No. 2'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 the Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Neptune Fire District No. 2'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

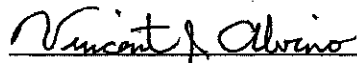
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Neptune Fire District No. 2's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*, and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. However, we noted certain immaterial instances of noncompliance that we have included as findings in the schedule of findings and recommendations section of the report of audit.

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's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, in considering the Fire District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Vincent J. Alvino, CPA
ALVINO & SHECHTER, L.L.C.
Certified Public Accountants

Neptune, New Jersey
May 29, 2015

**REQUIRED SUPPLEMENTARY INFORMATION
PART I**

NEPTUNE TOWNSHIP FIRE DISTRICT NO. 2

Management's Discussion and Analysis

For the Year Ended December 31, 2014

(Unaudited)

As management of the Neptune Township Fire District No. 2 (hereafter referred to as the "Fire District"), we offer readers of the Fire District's financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2014. The intent of this discussion and analysis is to look at the Fire District's financial performance as a whole. Readers should also review the information furnished in the notes to the basic financial statements along with the financial statements to enhance their understanding of the Fire District's financial performance.

FINANCIAL HIGHLIGHTS

- The net position of the Fire District, which represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources, totaled \$592,100.29 at the close of the current year.
- As of the close of the current year, the Fire District's governmental funds reported combined ending fund balances of \$389,663.50, a decrease of \$467,964.12, or nine percent (9%) in comparison with the prior year. The decrease is attributable predominantly to the acquisition of a Class A pumper fire apparatus in the amount of \$490,678.00 from restricted fund balances accumulated for such purposes.
- At the end of the current year, unassigned fund balance for the general fund was \$245,341.50, approximately a five percent (5%) increase from that of the prior year.
- The Fire District's outstanding bonded debt at the close of the current year pursuant to obligations under capital lease for the acquisition of a Class A pumper fire apparatus amounted to \$344,000.00. The total debt of the Fire District decreased by \$31,000.00 as a result of the current year budgeted debt payment.

USING THIS REPORT OF AUDIT

This report of audit consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Fire District as a whole and present a longer-term view of the Fire District's finances. Fund financial statements for the governmental activities tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Fire District's operations in more detail than the government-wide statements by providing information about the Fire District's most significant funds.

Reporting the Fire District as a Whole

One of the most important questions asked about the Fire District's finances is, "Is the Fire District as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the Fire District as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

NEPTUNE TOWNSHIP FIRE DISTRICT NO. 2

Management's Discussion and Analysis

For the Year Ended December 31, 2014

(Unaudited)

USING THIS REPORT OF AUDIT (CONT'D)

Reporting the Fire District as a Whole (Cont'd)

These two statements report the Fire District's net position and changes in it. You can think of the Fire District's net position - which represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources - as one way to measure the Fire District's financial health, or financial position. Over time, increases or decreases in the Fire District's net position is 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 Fire District's property tax base and the condition of the Fire District's capital assets, to assess the overall health of the Fire District.

In the statement of net position and the statement of activities, we divide the Fire District into one kind of activity, that being governmental activities. This is where all of the Fire District's basic services are reported, which include fire-fighting services. Property taxes, uniform fire safety act fees, charges for service billings, and state grants primarily finance these activities.

Reporting the Fire District's Most Significant Funds

The fund financial statements provide detailed information about the most significant funds, not the Fire District as a whole. 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. The Fire District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Fire District constitute one fund type, that being governmental funds.

Government funds - All of the Fire District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are nonspendable, restricted, committed, assigned, or unassigned. These classifications of fund balance show the nature and extent of constraints placed on the Fire District's fund balances by law, creditors, Fire District Board of Commissioners, and the Fire District's annually adopted budget. Unassigned fund balance is available for spending for any purpose. 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 governmental fund statements provide a detailed short-term view of the Fire District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Fire District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

The Fire District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special revenue fund, capital projects fund, and debt service fund.

NEPTUNE TOWNSHIP FIRE DISTRICT NO. 2

Management's Discussion and Analysis

For the Year Ended December 31, 2014

(Unaudited)

USING THIS REPORT OF AUDIT (CONT'D)

Reporting the Fire District's Most Significant Funds (Cont'd)

Fiduciary funds - A small amount of the Fire District's activities are reported in fiduciary funds, which are used to account for assets held by the District on behalf of others and includes assets held for the Unemployment Compensation Trust Fund.

The Fire District maintains one fiduciary fund type, the Unemployment Compensation Trust Fund. Information is presented separately in the fiduciary fund statement of fiduciary net position and statement of changes in fiduciary net position.

THE FIRE DISTRICT AS A WHOLE

During 2014, the Fire District's net position increased by \$74,237.20, increasing from \$517,863.09 in 2013 to \$592,100.29 in 2014. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Fire District's governmental-type activities.

TABLE 1
NET POSITION

	<u>2014</u>	<u>2013</u>
Current and Other Assets	\$ 418,303.70	\$ 890,121.97
Capital Assets	<u>600,195.45</u>	<u>127,839.22</u>
Total Assets	<u>1,018,499.15</u>	<u>1,017,961.19</u>
Other Liabilities	32,342.70	35,960.20
Long-Term Liabilities Outstanding	<u>394,056.16</u>	<u>464,137.90</u>
Total Liabilities	<u>426,398.86</u>	<u>500,098.10</u>
Net Investment in Capital Assets	256,195.45	127,839.22
Restricted for:		
Capital Projects	64,322.00	180,000.00
Unrestricted	<u>271,582.84</u>	<u>210,023.87</u>
Total Net Position	\$ <u>592,100.29</u>	\$ <u>517,863.09</u>

In total, assets of governmental activities increased by \$537.96 and liabilities decreased by \$73,699.24. The increase in assets was attributable to a variety of factors. The decrease in liabilities primarily resulted from two factors including the decrease in total bonded debt as a result of budgeted debt payment in the amount of \$31,000.00, and the decrease in compensated absences in the amount of \$39,081.74.

NEPTUNE TOWNSHIP FIRE DISTRICT NO. 2

Management's Discussion and Analysis

For the Year Ended December 31, 2014

(Unaudited)

THE FIRE DISTRICT AS A WHOLE (CONT'D)

Forty-three percent (43%), or \$256,195.45, of the Fire District's net position at the end of the current year reflects its net investment in capital assets (i.e., buildings and improvements, apparatus and equipment and vehicles). This component represents capital assets, net of accumulated depreciation, and net of outstanding balances of borrowing used for the acquisition, construction, or improvement of those assets. The Fire District uses these assets to provide fire-fighting and other services to the citizens of the Township of Neptune, consequently, these assets are not available for future spending. Although the Fire District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional component of the Fire District's net position, approximately eleven percent (11%), or \$64,322.00, represents resources that are restricted. This amount consists of amounts restricted for future capital projects.

The third and final component of net position is unrestricted. The unrestricted net position represents forty-six percent (46%), or \$271,582.84, of total net position. This component represents resources and uses that do not meet the criteria of the aforementioned two components of net position.

**TABLE 2
CHANGES IN NET POSITION**

	<u>2014</u>	<u>2013</u>
Expenses:		
Operating Appropriations:		
Administration	\$108,018.82	\$103,850.77
Cost of Operations and Maintenance	513,485.63	425,703.00
Operating Appropriations Offset with Revenues	25,000.00	25,000.00
Interest on Long-Term Debt	<u>15,020.65</u>	<u>3,465.85</u>
Total Program Expenses	<u>661,525.10</u>	<u>558,019.62</u>
Program Revenues:		
Charges for Services	26,103.73	24,560.22
Operating Grants	<u>6,250.20</u>	<u>6,000.00</u>
Net Program Expenses	<u>629,171.17</u>	<u>527,459.40</u>
General Revenues:		
Taxes:		
Property Taxes, Levied for General Purposes	653,081.00	644,742.00
Property Taxes, Levied for Debt Service	45,784.00	.00
Unrestricted Investment Earnings	530.48	523.36
Unrestricted Miscellaneous Income	<u>4,012.89</u>	<u>44,473.70</u>
Total General Revenues	<u>703,408.37</u>	<u>689,739.06</u>
Change in Net Position	74,237.20	162,279.66
Net Position, January 1	<u>517,863.09</u>	<u>355,583.43</u>
Net Position, December 31	<u>\$592,100.29</u>	<u>\$517,863.09</u>

NEPTUNE TOWNSHIP FIRE DISTRICT NO. 2

Management's Discussion and Analysis

For the Year Ended December 31, 2014

(Unaudited)

THE FIRE DISTRICT AS A WHOLE (CONT'D)

During 2014, the Fire District's revenues increased by \$15,463.02, increasing from \$720,299.28 in 2013 to \$735,762.30 in 2014. The increase is largely attributable to an increase in property taxes levied for debt service and a corresponding decrease in Federal Emergency Management Agency (FEMA) reimbursements received attributable to Superstorm Sandy. In regards to expenses, the Fire District experienced an increase of \$103,505.48, increasing from \$558,019.62 in 2013 to \$661,525.10 in 2014. The increase is largely attributable to increased costs of operations and maintenance from that of the previous year.

Property taxes constituted approximately ninety-five percent (95%) of total revenues for governmental activities for the Fire District for the year 2014. In addition, charges for services constituted approximately four percent (4%) of total revenues for governmental activities.

Cost of operations and maintenance comprised approximately seventy-eight percent (78%) of Fire District expenses, with administration comprising approximately sixteen percent (16%) of total expenses. The remaining six percent (6%) of expenses results from costs incurred for fire official activities and mandatory debt service interest costs incurred.

THE FIRE DISTRICT'S FUNDS

As the Fire District completed the year, its governmental funds reported a combined fund balance of \$389,663.50, which is lower than last year's total of \$857,627.62. Of the combined ending fund balances of \$389,663.50, approximately sixty-three percent (63%) constitutes unassigned fund balance in the amount of \$245,341.50. The remainder of fund balance is assigned/restricted to indicate that it is not available for new spending because it has already been assigned as follows: (1) restricted for future capital projects (\$64,322.00), and (2) designated for subsequent year's expenditures (\$80,000.00).

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 its financial resources. The acquisition of certain capital assets, such as fire-fighting and emergency medical apparatus and equipment, is accounted for in the general fund when it is responsible for the financing of such expenditures. At the end of the current year, unassigned fund balance of the general fund was \$245,341.50.

During the current year, the fund balance of the Fire District's general fund increased by \$22,713.88. The primary factor affecting the fund balance of the general fund is as follows:

- The general fund budgeted \$130,974.00 in the cost of administration and only expended \$108,018.82 in the current year for such expenditures.

Special revenue fund - The special revenue fund is used to account for and report the proceeds of specific revenue sources, such as state or federal government grants, that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Fire District received a supplemental fire services grant during the current year in the amount of \$6,250.20.

NEPTUNE TOWNSHIP FIRE DISTRICT NO. 2

Management's Discussion and Analysis

For the Year Ended December 31, 2014

(Unaudited)

THE FIRE DISTRICT'S FUNDS (CONT'D)

Capital projects fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of major capital facilities such as fire houses, fire-fighting apparatus, and emergency medical equipment. Generally, the financial resources of the capital projects fund are derived from the issuance of debt or by the utilization of fund balance, which must be authorized by the voters as a separate question on the ballot either during the annual election or at a special election. At the end of the current year, the capital projects fund balance is \$64,322.00. The fund balance decreased by \$490,678.00 during the current year as a result of the acquisition of a Toyne Class A pumper fire apparatus in the amount of \$490,678.00.

Debt service fund - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. For the current year, the Fire District expended \$31,000.00 and \$14,784.00, representing the payments of principal and interest, respectively.

General Fund Budgetary Highlights

During the month of December of the current year, the Fire District modified its general fund budget through budgetary line item transfers approved by the governing body.

The final budgetary basis revenue estimate was \$889,880.00, which remained unchanged from the original budgeted estimate.

In addition, during the current year, the Fire District budgeted \$653,081.00 and \$45,784.00 totaling \$698,865.00 for property taxes (local tax levy) and \$6,251.00 for state aid revenue (supplemental fire services grant). Fire safety act revenue was budgeted for \$25,000.00. The Fire District received fire safety act revenue in the amount of \$26,103.73.

The final budgetary basis expenditure appropriation estimate was \$889,880.00 which remained unchanged from the original budget estimate.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Fire District's net investment in capital assets for its governmental activities as of December 31, 2014 amounts to a historical cost of \$3,523,885.44, or \$600,195.45 net of accumulated depreciation (see Table 3 below). This net investment in capital assets includes buildings and improvements, apparatus and equipment, and vehicles. Net capital assets increased by \$472,356.23 in 2014 from 2013. The increase was primarily attributable to the current year acquisition of a Toyne Class A pumper fire apparatus for a net increase of \$466,144.10.

NEPTUNE TOWNSHIP FIRE DISTRICT NO. 2

Management's Discussion and Analysis

For the Year Ended December 31, 2014

(Unaudited)

CAPITAL ASSET AND DEBT ADMINISTRATION (CONT'D)

TABLE 3
CAPITAL ASSETS AT YEAR END
(NET OF ACCUMULATED DEPRECIATION)

	<u>2014</u>	<u>2013</u>
Buildings and Improvements	\$134,051.35	127,839.22
Apparatus and Equipment	466,144.10	.00
Vehicles	<u>.00</u>	<u>.00</u>
Total	<u>\$600,195.45</u>	<u>127,839.22</u>

Major capital asset events during the year include the following:

- The Fire District acquired a Toyne Class A pumper fire apparatus for \$490,678.00.
- The Fire District purchased and installed a generator powered by natural gas for \$13,500.00.
- As previously mentioned, \$31,821.77 of depreciation expense was recognized by the Fire District on existing capital assets.

Additional information on the Fire District's capital assets can be found in note 5.

Debt

Capital Leases Payable. At the end of the current year, the Fire District had a capital lease outstanding of \$344,000.00. The Fire District is leasing a pumper fire apparatus with original issue debt totaling \$375,000, for a term of ten years (refer to audit exhibit I-2, schedule of obligations under capital leases, and note 7, for more detail).

Compensated Absences. At the end of the current year, the liability for compensated absences was \$50,056.16. Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. Additional information on compensated absences can be found in note 12.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

For the 2014 year, the Fire District was able to sustain its budget through property taxes, uniform fire safety act annual registration fees, interest on investments and deposits, and other miscellaneous revenue sources. Approximately ninety-five percent (95%) of total revenue is from property taxes, while five percent (5%) of the Fire District's revenue is from federal, state, and local sources. The 2015 budget was adopted January 8, 2015 by the Board of Fire Commissioners, and was subsequently approved by the voters at the annual fire district election on February 21, 2015.

NEPTUNE TOWNSHIP FIRE DISTRICT NO. 2

Management's Discussion and Analysis

For the Year Ended December 31, 2014

(Unaudited)

CONTACTING THE FIRE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Fire District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Richard J. Cuttrell, Financial Officer, at the Ocean Grove Board of Fire Commissioners, 50 Olin Street, Ocean Grove, New Jersey 07756 or email at RCuttrell@neptunetownship.org.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 2
Statement of Net Position
December 31, 2014

ASSETS:

Cash and Cash Equivalents	\$ 353,481.30
Restricted Assets:	
Restricted Cash and Cash Equivalents	64,822.40
Capital Assets, Net (Note 5)	<u>600,195.45</u>
Total Assets	<u>1,018,499.15</u>

LIABILITIES:

Accounts Payable	28,139.80
Accrued Interest Payable	3,702.50
Reserve for Supplemental Fire Services Grant	500.40
Noncurrent Liabilities (Note 6):	
Due within One Year	38,309.60
Due beyond One Year	<u>355,746.56</u>
Total Liabilities	<u>426,398.86</u>

NET POSITION:

Invested in Capital Assets, Net of Related Debt	256,195.45
Restricted for:	
Capital Projects	64,322.00
Unrestricted	<u>271,582.84</u>
Total Net Position	<u>\$592,100.29</u>

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

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 2

Statement of Activities

For the Year Ended December 31, 2014

Expenses:	
Operating Appropriations:	
Administration	\$ 108,018.82
Cost of Operations and Maintenance	513,485.63
Operating Appropriations Offset with Revenues	25,000.00
Interest on Long-Term Debt	<u>15,020.65</u>
Total Program Expenses	<u>661,525.10</u>
Program Revenues:	
Charges for Services	26,103.73
Operating Grants	<u>6,250.20</u>
Net Program Expenses	<u>629,171.17</u>
General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	653,081.00
Property Taxes, Levied for Debt Service	45,784.00
Unrestricted Investment Earnings	530.48
Unrestricted Miscellaneous Income	<u>4,012.89</u>
Total General Revenues	<u>703,408.37</u>
Increase in Net Position	74,237.20
Net Position, January 1	<u>517,863.09</u>
Net Position, December 31	<u>\$592,100.29</u>

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

FUND FINANCIAL STATEMENTS

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 2

Balance Sheet
 Governmental Funds
 December 31, 2014

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	353,481.30	.00	.00	.00	353,481.30
Restricted Cash and Cash Equivalents	<u>.00</u>	<u>500.40</u>	<u>64,322.00</u>	<u>.00</u>	<u>64,822.40</u>
Total Assets	<u>353,481.30</u>	<u>500.40</u>	<u>64,322.00</u>	<u>.00</u>	<u>418,303.70</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	28,139.80	.00	.00	.00	28,139.80
Reserve for Supplemental Fire Services Grant	<u>.00</u>	<u>500.40</u>	<u>.00</u>	<u>.00</u>	<u>500.40</u>
Total Liabilities	<u>28,139.80</u>	<u>500.40</u>	<u>.00</u>	<u>.00</u>	<u>28,640.20</u>
Fund Balances:					
Restricted:					
Reserve for Future Capital Outlays	.00	.00	64,322.00	.00	64,322.00
Assigned:					
Designated for Subsequent Year's Expenditures	80,000.00	.00	.00	.00	80,000.00
Unassigned	<u>245,341.50</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>	<u>245,341.50</u>
Total Fund Balances	<u>325,341.50</u>	<u>.00</u>	<u>64,322.00</u>	<u>.00</u>	<u>389,663.50</u>
Total Liabilities and Fund Balances	<u>\$353,481.30</u>	<u>500.40</u>	<u>64,322.00</u>	<u>.00</u>	<u>418,303.70</u>

(Continued)

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 2

Balance Sheet
 Governmental Funds
 December 31, 2014

Total
 Governmental
Funds

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$3,523,885.44, and the accumulated depreciation is \$2,923,689.99.

Accrued interest payable is not due and payable in the current period and, therefore, is not reported as liabilities in the funds.

Long-term liabilities, including capital leases and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Net position of governmental activities

600,195.45

(3,702.50)

(394,056.16)

\$ 592,100.29

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

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 2
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds

For the Year Ended December 31, 2014

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Miscellaneous Anticipated Revenues	530.48	.00	.00	.00	530.48
Operating Grant Revenue	.00	6,250.20	.00	.00	6,250.20
Miscellaneous Revenues Offset with Appropriations	26,103.73	.00	.00	.00	26,103.73
Amount to be Raised by Taxation to Support the District Budget	653,081.00	.00	.00	45,784.00	698,865.00
Non-Budgetary Revenues	<u>4,012.89</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>	<u>4,012.89</u>
Total Revenues	<u>\$683,728.10</u>	<u>6,250.20</u>	<u>.00</u>	<u>45,784.00</u>	<u>735,762.30</u>
EXPENDITURES:					
Operating Appropriations:					
Administration	108,018.82	.00	.00	.00	108,018.82
Cost of Operations and Maintenance	516,892.84	6,250.20	.00	.00	523,143.04
Operating Appropriations Offset with Revenues	25,000.00	.00	.00	.00	25,000.00
Capital Appropriations	89,264.00	.00	401,414.00	.00	490,678.00
Debt Service:					
Principal	.00	.00	.00	31,000.00	31,000.00
Interest and Other Charges	<u>.00</u>	<u>.00</u>	<u>.00</u>	<u>14,784.00</u>	<u>14,784.00</u>
Total Expenditures	<u>\$739,175.66</u>	<u>6,250.20</u>	<u>401,414.00</u>	<u>45,784.00</u>	<u>1,192,623.86</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$(55,447.56)</u>	<u>.00</u>	<u>(401,414.00)</u>	<u>.00</u>	<u>(456,861.56)</u>

(Continued)

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 2
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended December 31, 2014

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
OTHER FINANCING SOURCES (USES):					
Subsequent Year's Expenditures	(11,102.56)	.00	.00	.00	(11,102.56)
Transfer from Reserve for Future Capital Outlays	<u>89,264.00</u>	<u>.00</u>	<u>(89,264.00)</u>	<u>.00</u>	<u>.00</u>
Total Other Financing Sources and Uses	<u>78,161.44</u>	<u>.00</u>	<u>(89,264.00)</u>	<u>.00</u>	<u>(11,102.56)</u>
Net Change in Fund Balances	22,713.88	.00	(490,678.00)	.00	(467,964.12)
Fund Balance, January 1	<u>302,627.62</u>	<u>.00</u>	<u>555,000.00</u>	<u>.00</u>	<u>857,627.62</u>
Fund Balance, December 31	<u>\$325,341.50</u>	<u>.00</u>	<u>64,322.00</u>	<u>.00</u>	<u>389,663.50</u>

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

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 2
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended December 31, 2014

Total Net Change in Fund Balance - Governmental Funds (467,964.12)

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. This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation Expense	(31,821.77)	
Capital Outlays	<u>504,178.00</u>	
		472,356.23

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are expensed in a systematic and rational manner over the duration of the related debt in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

31,000.00

In the statement of activities, certain operating expenses, (e.g., compensated absences, interest on debt) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation (+).

38,845.09

Change in Net Position of Governmental Activities \$ 74,237.20

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

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 2

Statement of Fiduciary Net Position

Fiduciary Funds

December 31, 2014

	Unemployment Compensation <u>Trust</u>
ASSETS:	
Cash and Cash Equivalents	<u>24,710.71</u>
Total Assets	<u>24,710.71</u>
NET POSITION:	
Held in Trust for Unemployment Claims and Other Purposes	<u>24,710.71</u>
Total Net Position	<u>\$24,710.71</u>

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

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 2
 Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 For the Year Ended December 31, 2014

	<u>Unemployment Compensation Trust</u>
ADDITIONS:	
Investment Earnings:	
Interest	
Net Investment Earnings	14.31
Unemployment Deductions - 2014 Payroll	<u>204.46</u>
Total Additions	<u>218.77</u>
DEDUCTIONS:	
Total Deductions	<u>.00</u>
Change in Net Position	218.77
Net Position, January 1	<u>24,491.94</u>
Net Position, December 31	<u>\$24,710.71</u>

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

NOTES TO THE FINANCIAL STATEMENTS

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 2

Notes to Financial Statements
For the Year Ended December 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity - Fire District No. 2 of the Township of Neptune (the "Fire District") is a political subdivision of the Township of Neptune, Monmouth County, New Jersey. It was formed in 1886. A board of five commissioners oversees all 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 N.J.S.A. 40A:14-70 et al. and are organized as a taxing authority charged with the responsibility of providing the resources necessary to provide fire fighting services to the residents within its territorial location. Fire District No. 2 of the Township of Neptune has three fire companies within its jurisdiction, E.H. Stokes Fire Co., Washington Fire Co., and Eagle Hook and Ladder Co.

Component Units - In evaluating how to define the Fire District for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* - an amendment of GASB Statements No. 14 and No. 34. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Fire District has no component units, and is not a component unit of another governmental agency.

Basis of Presentation - The financial statements of the Fire District have been prepared in conformity with accounting principles generally accepted in the United States of America (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. The more significant of the Fire District's accounting policies are described in this Note.

The Fire District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provides a more detailed level of financial information.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Basis of Presentation (Cont'd)**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities display information about the Fire District as a whole, except for fiduciary activities. These statements include the financial activities of the government. The Statement of Net Position presents the financial condition of the governmental activities of the Fire District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Fire District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. The policy of the Fire District is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Fire District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Fire District.

Fund Financial Statements - During the year, the Fire District segregates transactions related to certain Fire District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Fire District at this more detailed level, including its fiduciary funds. Separate statements for each fund category - governmental, and fiduciary - are presented. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a single column. The Fire District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Fire District's major 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 its 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.

Special Revenue Fund - The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources, such as state or federal government grants and appropriations, that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Basis of Presentation (Cont'd)**

Capital Projects Fund - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of major capital facilities such as fire houses and firefighting apparatus. Generally, the financial resources of the capital projects fund are derived from the issuance of debt or by the utilization of fund balance, which must be authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund - The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Additionally, the District reports the following fund type:

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the Fire District on behalf of others and includes the Unemployment Compensation Insurance Trust Fund.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the Fire District are included on the Statement of Net Position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (ie., revenues and other financing sources) and uses (ie., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Government fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting - Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Fire District, available means expected to be received within thirty days of year-end.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Basis of Accounting (Cont'd)**

Revenues - Exchange and Non-Exchange Transactions - Non-exchange transactions, in which the Fire District receives value without directly giving equal value in return, include Ad Valorem (property) taxes, grants, entitlements, and donations. Ad Valorem (Property) Taxes are susceptible to accrual, as under New Jersey State Statute, a municipality is required to remit to its Fire District the entire balance of taxes in the amount voted upon or certified, prior to the end of the fire district year. The Fire District records the entire approved tax levy as revenue (accrued) at the start of the year since the revenue is both measurable and available. The Fire District is entitled to receive monies under the following established payment 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 equaling the difference between the total of all monies so assessed and the total amount of monies previously paid over. In an effort to facilitate cash flow to the Fire District, Fire District taxes are paid by the municipality and received by the district on a monthly basis, with a monthly adjustment in taxes determined upon adoption of the annual Fire District Budget. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Fire District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Fire District on a reimbursement basis.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: grants, fees, and rentals.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budget / Budgetary Control - 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 not 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. The budget may not be amended subsequent to its final adoption and approval, except for provisions allowed by N.J.S.A.40A:14-78.5.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Budget / Budgetary Control (Cont'd)**

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 District's basic fund financial statements.

Exhibit - C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the General Fund Budgetary Comparison Schedule and the Special Revenue Fund Budgetary Comparison Schedule to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds. Note that the Fire District does not report encumbrances outstanding at year-end as expenditures in the general fund since the general fund budget follows modified accrual basis of accounting.

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. Encumbrances are a component of fund balance at year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. Open encumbrances in governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included with committed or assigned fund balance, as appropriate.

Open encumbrances in the special revenue fund, however, for which the Fire District has received advances of grant awards, and all eligibility and time requirements satisfied are reflected on the balance sheet as unearned grant revenue at year-end.

The encumbered appropriation authority carries over into the next year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current year-end.

In accordance with N.J.A.C. 5:30-5.2 - Encumbrance Systems, all local units except those subject to the Local Authorities Fiscal Control Act (N.J.S.A. 40A:5A-1 et seq.) shall maintain an encumbrance accounting system for its current (general) fund. Since the Fire District is subject to N.J.S.A. 40A:5A-1 et seq., the Fire District has elected not to maintain an encumbrance accounting system for its General Fund.

Cash, Cash Equivalents and Investments - Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey governments are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 40A:5-15.1 provides a list of permissible investments that may be purchased by New Jersey governments. At December 31, 2014, the Fire District carried no investment balances.

Additionally, the Fire District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Government Unit Deposit Protection Act. The Act was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash, Cash Equivalent and Investment (Cont'd)

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include State or federally chartered banks, savings banks or associations located in the State of New Jersey or State or federally chartered banks, savings banks or associations located in another state with a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a 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.

Inventories - Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in governmental fund types is recorded as expenditures when purchased rather than when consumed.

Inventories recorded on the government-wide financial statements are recorded as expenditures when consumed rather than when purchased. As of December 31, 2014, no material amount of inventories existed.

Prepaid Expenses - Prepaid expenses recorded in the governmental fund types, which benefit future periods, are recorded as an expenditure during the year of purchase. Prepaid expenses recorded on the government-wide financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2014.

Short-Term Interfund Receivables / Payables - Short-term interfund receivables / payables represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund in the Fire District and that are due within one year. These amounts are eliminated in the governmental column of the Statement of Net Position.

Capital Assets - General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide Statement of Net Position but are not reported in the fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Fire District maintains a capitalization threshold of \$5,000.00. The Fire District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	30 Years
Apparatus and Equipment	5-10 Years
Vehicles	5 Years

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Capital Assets (Cont'd)**

N.J.S.A. 40A:14-84 governs the procedures for the acquisition of property and equipment for Fire Districts, and N.J.S.A. 40:14-85 to 87 governs procedures for the issuance of any debt related to such purchases. In summary, Fire Districts may purchase fire fighting apparatus and equipment and 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 \$60,000.00 or 2 percent of the assessed valuation of property, whichever is larger.

Compensated Absences - Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Fire District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Fire District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid with expendable available financial resources.

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Fire District is eligible to realize the revenue.

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

Net Position - Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into 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 the 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 Fire 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.

The Fire District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fund Balance - The Fire District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the Fire District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Fire District's classifications, and policies for determining such classifications, are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Fire District's highest level of decision-making authority, which, for the Fire District is the Board of Commissioners. Such formal action consists of an affirmative vote by the Board of Commissioners, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Commissioners removes, or changes, the specified use by taking the same type of (resolution) it employed to previously commit these amounts.

Assigned - The assigned fund balance classification includes amounts that are constrained by the Fire District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by either the Board of Commissioners or by the financial officer, to which the Board of Commissioners has delegated the authority to assign amounts to be used for specific purposes. Such authority of the financial officer is established by way of a formal job description for the position, approved by the Board of Commissioners.

Unassigned - The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the Fire District to spend restricted fund balance first. Moreover, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the Fire District to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

Interfunds - Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2: CASH AND CASH EQUIVALENTS

The Fire District is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2014, and reported at fair value, as follows.

<u>Type</u>	<u>Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			446,263.93
Investments:			
	N/A	N/A	.00
Total deposits and investments			<u>\$446,263.93</u>
Reconciliation of Statement of Net Assets			
Current:			
Cash and cash equivalents			446,263.93
Investments			.00
			<u>\$446,263.93</u>

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Fire District's deposits might not be recovered. Although the Fire District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Fire District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Fire District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized. Of the Fire District's amount on deposit of \$446,263.93 as of December 31, 2014, \$438,499.82 was insured under FDIC and the remaining balance of \$7,764.11 was collateralized under GUDPA.

NOTE 3: PROPERTY TAX LEVIES

Following is a tabulation of Fire District assessed valuations, tax levies and property tax rates per \$100.00 of assessed valuations for the current and preceding four years:

<u>Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Tax Rates</u>
2014	\$741,776,600.00	698,865.00	.095
2013	742,121,200.00	644,742.00	.087
2012	738,997,983.00	628,834.00	.085
2011	738,651,262.00	621,931.00	.085
2010	737,457,435.00	621,699.00	.085

NOTE 4: ACCOUNTS RECEIVABLE

On the Statement of Net Position, accounts receivables at December 31, 2014 for the Fire District's individual major funds, in the aggregate, are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Accounts Receivables:					
Other	<u>\$.00</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

	<u>Balance</u> <u>Jan. 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>Dec. 31, 2014</u>
Buildings and Improvements	1,296,096.00	13,500.00	.00	1,309,596.00
Apparatus and Equipment	1,779,815.00	490,678.00	140,000.00	2,130,493.00
Vehicles	83,796.44	.00	.00	83,796.44
 Total Capital Assets being Depreciated	 <u>3,159,707.44</u>	 <u>504,178.00</u>	 <u>140,000.00</u>	 <u>3,523,885.44</u>
 Less Accumulated Depreciation:				
Buildings and Improvements	(1,168,256.78)	(7,287.87)	.00	(1,175,544.65)
Apparatus and Equipment	(1,779,815.00)	(24,533.90)	140,000.00	(1,664,348.90)
Vehicles	(83,796.44)	.00	.00	(83,796.44)
 Total Accumulated Depreciation	 <u>(3,031,868.22)</u>	 <u>(31,821.77)</u>	 <u>140,000.00</u>	 <u>(2,923,689.99)</u>
 Total Capital Assets being Depreciated Net of Accumulated Depreciation	 <u>127,839.22</u>	 <u>472,356.23</u>	 <u>.00</u>	 <u>600,195.45</u>
 Capital Assets, Net	 <u>\$ 127,839.22</u>	 <u>472,356.23</u>	 <u>.00</u>	 <u>600,195.45</u>

*Depreciation expense was charged to governmental functions as follows:

Cost of Operations and Maintenance	<u>31,821.77</u>
Total Depreciation Expense	<u>\$31,821.77</u>

NOTE 6: LONG-TERM OBLIGATIONS

During the year ended December 31, 2014, the following changes occurred in long-term obligations:

	<u>Balance</u> <u>Jan. 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>Dec. 31, 2014</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Obligations Under Capital					
Leases	375,000.00	.00	31,000.00	344,000.00	32,000.00
Compensated Absences	89,137.90	.00	39,081.74	50,056.16	6,309.60
 Total Government-wide Long-Term Debt	 <u>\$464,137.90</u>	 <u>.00</u>	 <u>70,081.74</u>	 <u>394,056.16</u>	 <u>38,309.60</u>

Bonds and Notes Authorized But Not Issued - As of December 31, 2014, the Fire District had no authorized but not issued bonds and notes.

Compensated Absences- Compensated absences will be paid from the fund from which the employee's salaries are paid.

NOTE 7: CAPITAL LEASES PAYABLE

The Fire District entered into a capital lease agreement with the Monmouth County Improvement Authority (MCIA) on October 1, 2013 to lease/purchase a Toyne Class A Pumper fire apparatus. The terms of the lease require the principal payment of \$375,000 to be paid in ten (10) annual installments beginning October 1, 2014 at an interest rate of 2.189%.

Principal and interest due on the Fire District capital lease obligations outstanding are as follows:

<u>Period Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Annual Debt Service Payment</u>
04/01/2015		7,405.00	7,405.00	
10/01/2015	32,000.00	7,405.00	39,405.00	46,810.00
04/01/2016		6,765.00	6,765.00	
10/01/2016	33,000.00	6,765.00	39,765.00	46,530.00
04/01/2017		5,940.00	5,940.00	
10/01/2017	35,000.00	5,940.00	40,940.00	46,880.00
04/01/2018		5,065.00	5,065.00	
10/01/2018	37,000.00	5,065.00	42,065.00	47,130.00
04/01/2019		4,140.00	4,140.00	
10/01/2019	38,000.00	4,140.00	42,140.00	46,280.00
04/01/2020		3,380.00	3,380.00	
10/01/2020	40,000.00	3,380.00	43,380.00	46,760.00
04/01/2021		2,580.00	2,580.00	
10/01/2021	41,000.00	2,580.00	43,580.00	46,160.00
04/01/2022		1,760.00	1,760.00	
10/01/2022	43,000.00	1,760.00	44,760.00	46,520.00
04/01/2023		900.00	900.00	
10/01/2023	<u>45,000.00</u>	<u>900.00</u>	<u>45,900.00</u>	<u>46,800.00</u>
	<u>\$344,000.00</u>	<u>75,870.00</u>	<u>419,870.00</u>	<u>419,870.00</u>

NOTE 8: PENSION PLANS

The Fire District contributes to two cost-sharing multiple-employer defined benefit pension plans, the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), which are administered by the New Jersey Division of Pensions and Benefits. These plans provide retirement, death and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B for PERS and N.J.S.A. 43:16A and 43:3B for the PFRS. Each plan has a Board of Trustees that is primarily responsible for its administration.

NOTE 8: PENSION PLANS (CONT'D)

The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System ("PERS") are required to contribute 5% of their annual covered salary. However, Chapter 115, P.L. 1997 provides for a reduction in this rate of 4.5% for calendar years 1998 and 1999. Chapter 415, P.L. 1999 provides for a reduction in this rate to 3% for calendar years 2000 and 2001 and for a contribution rate reduction of up to 2% of compensation in future calendar years if the State Treasurer determines that excess valuation assets will be used to reduce the normal contributions made to the system by the State and local employers in a fiscal year beginning immediately prior to a calendar year. Under this provision of the statute, the contribution rate for calendar years 2002 and 2003 has been established at 3%. For calendar year 2004, the Public Employees' Retirement System member contribution rate will remain at a rate of 3%. Effective January 1, 2005, the member contribution rate for local employees in the PERS will return to the normal rate of 5%. Chapter 103, P.L. 2007, effective June 28, 2007 provides for several changes in PERS. Some provisions of Chapter 103 apply to all members of the PERS while certain provisions affect only new employees. The employee pension contribution rate for members of the PERS will increase from 5% to 5.5% of salary. The implementation of this increase occurs in two phases. The second phase applies to employers of counties, municipalities, and other local employers not included in phase one.

This increase is effective on July 1, 2008 for new employees of these employer groups who are enrolled in the PERS on or after July 1, 2008. Under the provisions of Chapter 78, P.L. 2011, the PERS employee pension contribution rate will increase from 5.5% to 6.5% of salary effective with the first payroll amount to be paid on or after October 1, 2011. An additional increase to be phased in over the next seven years will bring the total PERS contribution rate to 7.5% of salary. This phased increase will be applied equally over a seven year period beginning July 2012, with the contribution rate increasing by 0.14% each year with the first payroll of July 2012 until the 7.5% contribution rate is reached in July 2018. In accordance with Chapter 204, P.L. 1989, plan members enrolled in the Police and Firemen's Retirement System ("PFRS") are required to contribute 8.5% of their annual covered salary. Under these same provisions of Chapter 78, P.L. 2011, the PFRS employee pension contribution rate will increase from 8.5% to 10% of salary effective with the first payroll amount to be paid on or after October 1, 2011. The Fire District is billed annually for its normal contribution plus any accrued liability.

The Fire District's contributions to the various plans, equal to the required contributions, were as follows:

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>
2014	13,522.00	23,892.00
2013	12,975.00	25,114.00
2012	13,558.00	23,585.00
2011	37,301.50	27,004.00
2010	2,388.00	22,819.00

NOTE 9: POST-EMPLOYMENT BENEFITS

Plan Description: The Township of Neptune Fire District No. 2 contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employees must adopt a resolution to participate in the SHBP. In 1975, the Township of Neptune Fire District No. 2 authorized participation in the SHBP's post-retirement benefit program through Resolution dated October 9, 1975. Full-time employees that meet the requirements of retirement eligibility as promulgated by the Police and Firemen's Retirement System ("PFRS") or the Public Employees' Retirement System ("PERS") are eligible for health and prescription coverage upon retirement for the retiree and eligible family members.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/gasb-43-sept2009pdf.

Funding Policy: Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Township of Neptune Fire District No. 2 on a monthly basis. The funding is raised through a line item in the District's annual budget and includes full payment of health and prescription coverage.

The Township of Neptune Fire District No. 2's contributions to SHBP for the years ended December 31, 2014, 2013, and 2012 were \$2,769.24, \$4,095.72 and \$5,344.92 respectively, which equaled the required contributions for each year. There were one, one and one retired participant eligible at December 31, 2014, 2013, and 2012 respectively.

NOTE 10: RISK MANAGEMENT

The Fire 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.

Property and Liability Insurance - The Fire District maintains commercial insurance coverage for property, liability, accident and surety bonds.

New Jersey Unemployment Compensation Insurance - The Fire District covers its employees under the New Jersey Unemployment Trust Fund by the "contributions" method. Under this method, a contribution rate is established annually for the Fire District share of unemployment tax. This rate is based on cost experience for all government employers.

NOTE 11: DEFERRED COMPENSATION

The Fire District offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Fire District or its creditors. Since the Fire District does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Fire District's financial statements.

NOTE 12: COMPENSATED ABSENCES

The Fire District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Fire District employees are entitled to fifteen paid sick leave days per year. Unused sick leave may be accumulated and carried forward to the subsequent years. Employees are entitled to four personal days which may not be carried forward to subsequent years. Vacation days not used during the year may not be accumulated and carried forward.

The Fire District compensates employees for unused sick leave, vacation, and compensatory time upon termination or retirement. Payment will be made based on the employee's rate of pay at the time of termination or retirement.

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. As of December 31, 2014, the liability for compensated absences in the governmental fund types was \$50,056.16.

NOTE 13: INTERFUND RECEIVABLES AND PAYABLES

As of December 31, 2014, no interfund receivables or payables existed.

NOTE 14: FUND BALANCES

RESTRICTED

As stated in note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the Fire District's fund balance are summarized as follows:

NOTE 14: FUND BALANCES (CONT'D)**RESTRICTED (Cont'd)**

Capital Projects Fund - On January 12, 2012, the governing body of the Fire District adopted a resolution providing for a ballot question at the annual election held on February 18, 2012, which was approved by the voters. The voter-approved ballot question authorized the Fire District to acquire one (1) Class A Pumper fire apparatus. The Fire District was approved to expend an amount not to exceed \$500,000.00 for the foregoing capital project, and on October 9, 2013, issued Capital Equipment Lease Revenue Bonds, Series 2013 from the Monmouth County Improvement Authority in the amount of \$375,000, yielding net bond proceeds of \$400,000 on its issuance which has been restricted as of December 31, 2013 for the acquisition of the Class A Pumper fire apparatus. The Fire District has appropriated an amount of \$89,264.00 in its 2014 budget and an additional amount of \$1,414.00 representing a net increase resulting from a change order authorized by Resolution #2014-06-03 to be utilized from the \$155,000 residing in its Reserve for Future Capital Outlays as of December 31, 2013 to permanently fund the cost of the fire apparatus acquisition in the amount of \$490,678.00.

ASSIGNED

As stated in note 1, the assigned fund balance classification includes amounts that are constrained by the Fire District's intent to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the Fire District's fund balance are summarized as follows:

General Fund -

For Subsequent Year's Expenditures - The Fire District has appropriated and included as anticipated revenue for the year ending December 31, 2015, \$80,000.00 of general fund balance at December 31, 2014.

UNASSIGNED

As stated in note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The Fire District's unassigned fund balance is summarized as follows:

General Fund - As of December 31, 2014, \$245,341.50 of general fund balance was unassigned.

NOTE 15: LITIGATION

There are no pending or threatened litigation or unasserted claims or assessments against the Fire District for the year ended December 31, 2014, through the date of the independent auditor's report.

NOTE 16: SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2014, and May 29, 2015, the date that the financial statements were available to be issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the District that would require disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 2

Budgetary Comparison Schedule
General Fund

For the Year Ended December 31, 2014

	Original Budget		Budget Modifications/ Transfers		Final Budget	Actual	Variance
	Budget	Transfers	Budget	Transfers	Budget	Actual	Positive (Negative) Final to Actual
REVENUES:							
Miscellaneous Anticipated Revenues:							
Interest on Investments and Deposits	500.00	.00	.00	.00	500.00	530.48	30.48
Total Miscellaneous Anticipated Revenues	500.00	.00	.00	.00	500.00	530.48	30.48
Miscellaneous Revenues Offset with Appropriations:							
Uniform Fire Safety Act (P.L. 1983, Ch. 383):							
Annual Registration Fees	10,000.00	.00	.00	.00	10,000.00	26,103.73	16,103.73
Penalties and Fines	15,000.00	.00	.00	.00	15,000.00	.00	(15,000.00)
Total Miscellaneous Revenues Offset with Appropriations	25,000.00	.00	.00	.00	25,000.00	26,103.73	1,103.73
Amount to be Raised by Taxation to Support the District Budget	653,081.00	.00	.00	.00	653,081.00	653,081.00	.00
Total Anticipated Revenues	678,581.00	.00	.00	.00	678,581.00	679,715.21	1,134.21
Non-Budgetary Revenues:							
Miscellaneous Income	.00	.00	.00	.00	.00	4,012.89	4,012.89
Total Non-Budgetary Revenues	.00	.00	.00	.00	.00	4,012.89	4,012.89
Total Revenues	678,581.00	.00	.00	.00	678,581.00	683,728.10	5,147.10

(Continued)

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 2

Budgetary Comparison Schedule
General Fund

For the Year Ended December 31, 2014

	Original Budget		Budget Modifications/		Final Budget	Variance	
	Budget	Transfers	Transfers	Final		Actual	Positive (Negative) Final to Actual
EXPENDITURES:							
Operating Appropriations:							
Administration:							
Salary and Wages	35,361.00	.00		35,361.00	34,311.00	1,050.00	
Fringe Benefits	63,113.00	.00		63,113.00	51,712.32	11,400.68	
Other Expenses:							
Election	1,500.00	.00		1,500.00	958.00	542.00	
Office Expenses	7,000.00	.00		7,000.00	3,911.50	3,088.50	
Professional Services	24,000.00	.00		24,000.00	17,126.00	6,874.00	
Total Administration	130,974.00	.00		130,974.00	108,018.82	22,955.18	
Cost of Operations and Maintenance:							
Salary and Wages	101,215.00	2,000.00		103,215.00	101,141.99	2,073.01	
Fringe Benefits	82,143.00	.00		82,143.00	64,269.27	17,873.73	
Other Expenses:							
Advertising	1,500.00	.00		1,500.00	819.41	680.59	
Insurance	75,000.00	(3,500.00)		71,500.00	59,808.00	11,692.00	
Maintenance and Repair	100,000.00	.00		100,000.00	93,085.43	6,914.57	
Memberships and Dues	3,000.00	.00		3,000.00	459.00	2,541.00	
Supplies Expenses	98,749.00	.00		98,749.00	95,749.64	2,999.36	
Training and Education	3,000.00	.00		3,000.00	1,419.61	1,580.39	
Travel Expenses/Conferences	3,000.00	.00		3,000.00	.00	3,000.00	
Utilities	30,000.00	.00		30,000.00	29,606.56	393.44	

(Continued)

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 2

Budgetary Comparison Schedule

General Fund

For the Year Ended December 31, 2014

	Original Budget		Budget Modifications/ Transfers		Final Budget		Variance	
	Budget	Final Budget	Transfers	Budget	Actual	Final to Actual	Positive	(Negative)
EXPENDITURES (CONT'D):								
Operating Appropriations (Cont'd):								
Cost of Operations and Maintenance (Cont'd):								
Other Expenses (Cont'd):								
Hydrant Rental	32,000.00	33,500.00	1,500.00	33,500.00	33,484.80	15.20		
Alarm and Communications	22,000.00	22,000.00	.00	22,000.00	10,874.37	11,125.63		
New Equipment	.00	.00	.00	.00	.00	.00		
Uniform Fire Safety - Other Expenses	25,000.00	25,000.00	.00	25,000.00	10,568.76	14,431.24		
Community Service Officers	16,000.00	16,000.00	.00	16,000.00	15,606.00	394.00		
Total Cost of Operations and Maintenance	592,607.00	592,607.00	.00	592,607.00	516,892.84	75,714.16		
Operating Appropriations Offset with Revenues:								
Uniform Fire Safety Act:								
Salary and Wages	25,000.00	25,000.00	.00	25,000.00	25,000.00	.00		
Fringe Benefits	.00	.00	.00	.00	.00	.00		
Other Benefits	.00	.00	.00	.00	.00	.00		
Total Operating Appropriations Offset with Revenues	25,000.00	25,000.00	.00	25,000.00	25,000.00	.00		
Capital Appropriations:								
Capital Improvements (N.J.S.40A:14-84)								
Stokes Class A Pumper	89,264.00	89,264.00	.00	89,264.00	89,264.00	.00		
Total Capital Appropriations	89,264.00	89,264.00	.00	89,264.00	89,264.00	.00		
Total Expenditures	837,845.00	837,845.00	.00	837,845.00	739,175.66	98,669.34		

(Continued)

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 2
 Budgetary Comparison Schedule
 General Fund

For the Year Ended December 31, 2014

	Budget	Original Modifications/ Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Excess (Deficiency) of Budget Revenues Over (Under) Budget Expenditures	(159,264.00)	.00	(159,264.00)	(55,447.56)	103,816.44
Other Financing Sources (Uses):					
Subsequent Year's Expenditures	.00	.00	.00	(11,102.56)	(11,102.56)
Transfer from Reserve for Future Capital Outlays	.00	.00	.00	89,264.00	89,264.00
Total Other Financing Sources (Uses)	.00	.00	.00	78,161.44	78,161.44
Excess (Deficiency) of Revenues Over (Under) Expenditures	(159,264.00)	.00	(159,264.00)	22,713.88	181,977.88
Fund Balance, January 1				<u>302,627.62</u>	
Fund Balance, December 31				<u>325,341.50</u>	
Recapitulation:					
Assigned Fund Balance:					
Subsequent Year's Expenditures					80,000.00
Unassigned Fund Balance					245,341.50
Fund Balance Per General Fund (GAAP)					<u>\$325,341.50</u>

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 2

Budgetary Comparison Schedule

Special Revenue Fund

For the Year Ended December 31, 2014

	Budget		Final Budget	Variance	
	Original Budget	Modifications/Transfers		Actual	Positive (Negative) Final to Actual
REVENUES:					
Operating Grant Revenue:					
Supplemental Fire Services Grant (P.L. 1985, Ch. 295)	6,251.00	.00	6,251.00	6,250.20	_____.80
Total Revenues	6,251.00	.00	6,251.00	6,250.20	_____.80
EXPENDITURES:					
Cost of Operations and Maintenance:					
Supplemental Fire Services Grant - Supplies	6,251.00	.00	6,251.00	6,250.20	_____.80
Total Expenditures	6,251.00	.00	6,251.00	6,250.20	_____.80
Excess (Deficiency) of Revenues Over (Under) Expenditures	.00	.00	.00	.00	_____.00
Fund Balance, January 1				.00	_____.00
Fund Balance, December 31				.00	_____.00

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 2
 Required Supplementary Information
 Budgetary Comparison Schedule
 Notes to Required Supplementary Information
 For the Year Ended December 31, 2014

Note A - Explanation of Differences between Budgetary Inflows and Outflows and
 GAAP Revenues and Expenditures

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources / Inflows of Resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	683,728.10	6,250.20
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	<u>.00</u>	<u>.00</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	<u>\$683,728.10</u>	<u>6,250.20</u>
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" and "other financing uses" from budgetary comparison schedule	739,175.66	6,250.20
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	<u>.00</u>	<u>.00</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds. (B-2)	<u>\$739,175.66</u>	<u>6,250.20</u>

OTHER SUPPLEMENTARY INFORMATION

CAPITAL PROJECTS FUND

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 2

Summary Statement of Project Expenditures
Capital Projects Fund

For the Year Ended December 31, 2014

Project Title/Issue	Authorization Date	Authorization Amount	Not to Exceed	2014		Authorized Allocation by Current Year Resolution	Unexpended Balance Dec. 31, 2014
				Budget Appropriations	Expenditures		
Purchase of Toyne Class A Pumper Fire Apparatus	02/18/12	\$500,000.00		89,264.00	490,678.00	1,414.00	.00
Reserve for Future Capital Outlays	N/A	N/A		(89,264.00)	.00	(1,414.00)	64,322.00
				<u>.00</u>	<u>490,678.00</u>	<u>.00</u>	<u>64,322.00</u>
Acquisition of Class A Pumper Fire Apparatus - Restricted							.00
Reserve for Future Capital Outlays - Restricted				<u>155,000.00</u>			<u>64,322.00</u>
				<u>\$555,000.00</u>			<u>64,322.00</u>

LONG-TERM DEBT

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 2
 Schedule of Obligations under Capital Leases
 Debt Service Fund
 For the Year Ended December 31, 2014

<u>Description</u>	<u>Date of Lease</u>	<u>Term of Lease</u>	<u>Amount of Original Issue</u>		<u>Interest Rate Payable</u>	<u>Amount Outstanding Jan. 1, 2014</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding Dec. 31, 2014</u>
			<u>Principal</u>	<u>Interest</u>					
Toyne Class A Pumper Fire Apparatus	10/01/13	10 Years	375,000.00	90,654.00	2.189%	<u>\$375,000.00</u>	<u>.00</u>	<u>31,000.00</u>	<u>344,000.00</u>

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 2
 Budgetary Comparison Schedule
 Debt Service Fund
 For the Year Ended December 31, 2014

	Budget		Variance
	Original Budget	Final Budget	
	Original Budget	Final Budget	Positive (Negative) Final to Actual
REVENUES:			
Amount to be Raised by Taxation to Support the District Budget	45,784.00	45,784.00	.00
Total Revenues	45,784.00	45,784.00	.00
EXPENDITURES:			
Principal Payments: Capital Leases	31,000.00	31,000.00	.00
Interest Payments: Capital Leases	14,784.00	14,784.00	.00
Total Expenditures	45,784.00	45,784.00	.00
Excess (Deficiency) of Revenues Over (Under) Expenditures	.00	.00	.00
Fund Balance, January 1			.00
Fund Balance, December 31			.00

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

FIRE DISTRICT NO. 2
TOWNSHIP OF NEPTUNE, NEW JERSEY
Schedule of Findings and Recommendations
For the Year Ended December 31, 2014

Schedule of Financial Statement Findings

This section identifies the reportable conditions, 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 Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

None

FIRE DISTRICT NO. 2
TOWNSHIP OF NEPTUNE, NEW JERSEY
Summary Schedule of Prior Year Audit Findings and Recommendations

Schedule of Financial Statement Findings

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

FINANCIAL STATEMENT FINDINGS

Condition

An encumbrance system is not being maintained resulting in appropriations not being reserved at the time when purchase orders are issued.

Recommendation

That an encumbrance system be maintained in conjunction with the maintenance of the general ledger in order to reserve appropriations at the time when purchase orders are issued.

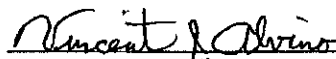
Current Status

Corrective action was not taken on the above finding which is not being repeated in this years schedule of findings and recommendations as a result of an encumbrance system exception in the Local Authorities Fiscal Control Act (N.J.S.A. 40A:5A-1 et seq.).

APPRECIATION

We express our appreciation for the assistance and courtesies rendered by the Fire District officials during the course of the audit.

Respectfully submitted,



Vincent J. Alvino, CPA

ALVINO & SHECHTER, L.L.C.

Certified Public Accountants