

**TOWNSHIP OF NEPTUNE  
FIRE DISTRICT NO. 1  
COUNTY OF MONMOUTH  
NEW JERSEY**

**REPORT OF AUDIT  
YEAR ENDED DECEMBER 31, 2014**

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DECEMBER 31, 2014**

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**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1  
ROSTER OF OFFICIALS  
DECEMBER 31, 2014**

**BOARD OF FIRE COMMISSIONERS**

John Fritz, President

Frank Lane, Vice-President

Joe Shafto, Treasurer

Frank Martuscelli, Clerk

Todd Puryear, Deputy Clerk

FINANCIAL SECTION

# FALLON & LARSEN LLP

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Certified Public Accountants

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Hazlet, New Jersey 07730-1716  
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## INDEPENDENT AUDITORS' REPORT

Board of Fire Commissioners  
Township of Neptune Fire District No. 1  
230 Neptune Boulevard  
Neptune, New Jersey 07754

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Board of Fire Commissioners of the Township of Neptune Fire District No. 1, (the "District"), 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 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 the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The financial statements of the Length of Service Awards Program ("LOSAP") were not audited and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to audit the LOSAP Fund financial statements in accordance with auditing standards generally accepted in the United States, *Government Auditing Standards* and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal

control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Basis for Qualified Opinion on the Length of Service Award Program**

The financial statements of the Length of Service Award Program Fund (“LOSAP”) have not been audited and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to audit the LOSAP Fund financial statements. The LOSAP Fund financial activities are included in the District’s Fiduciary Funds and represent 96.21%, 96.21% and 99.50% of the assets, net position, and revenues, respectively of the District’s Fiduciary Funds.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the “Basis for Qualified Opinion on the Length of Service Award Program” paragraph, the financial statements referred to above present fairly in all material respects, the financial position of the District’s Fiduciary Funds as of December 31, 2014, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In our opinion, the financial statements referred above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, Capital Projects Fund and Unemployment Compensation Fund, and the aggregate remaining fund information of the District as of December 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **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 5 through 11 and Exhibit C-1 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 Neptune Fire District No. 1's financial statements. The Summary Schedule of Project Revenues, Expenditures and Fund Balance - Capital Projects Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements and is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The Summary Schedule of Project Revenues, Expenditures and Fund Balance - Capital Projects Fund 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 taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charles J. Fallon  
Certified Public Accountant  
Registered Municipal Accountant #506



Fallon & Larsen LLP

Hazlet, New Jersey  
July 16, 2015

REQUIRED SUPPLEMENTARY INFORMATION - PART I



## TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1

### MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2014

*Our discussion and analysis of the Township of Neptune Fire District No. 1's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2014. Please read this analysis in conjunction with the District's financial statements.*

#### **Financial Highlights**

- The District's assets exceeded its liabilities by \$6,565,664.06 (net position) as of December 31, 2014. This compares to December 31, 2013 when assets exceeded liabilities by \$6,257,841.62.
- In total, net position increased \$307,822.44 or 4.92%.
- The District had \$2,749,920.57 in expenses. \$35,417.80 of this was offset by charges for services and grants. General revenues (primarily taxes) were adequate to provide for these programs.
- \$545,000.00 was levied in taxes to finance the District's capital program. Net Position Restricted for Capital Projects decreased \$334,187.10 or 28.82%.
- Total net position is comprised of the following:
  - Invested in capital assets, net of related debt of \$2,535,721.08 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt.
  - Restricted net position of \$855,386.93 is restricted by constraints imposed from outside the District such as debt covenants, grantors, laws, or regulations.
  - Unrestricted net position of \$3,174,556.05 represents the portion available to maintain the District's continuing obligations to citizens and creditors.

#### **Overview of the Financial Statements**

The financial statements consist of the following parts: Management's Discussion and Analysis; the Basic Financial Statements consisting of government-wide financial statements, and fund financial statements (government and fiduciary); Notes to the Financial Statements; and Required Supplementary Information.

The basic government-wide and fund financial statements present the financial results on different methods of accounting. Included in the financial statements are reconciliations that explain the difference between the two methods.

Government-wide financial statements are prepared on the accrual basis of accounting and economic resources focus. The required financial statements are: Statement of Net Position (Exhibit A-1) and Statement of Activities (Statement A-2). The Statement of Net Position reports all assets and liabilities,

both financial and capital, and short-term and long-term of the District. The Statement of Activities reports all revenue and expenses during the year, regardless of when cash is received or paid.

Governmental funds financial statements are prepared on the modified accrual basis of accounting and current financial resources focus. This is the traditional form for our financial statements. The required financial statements are: Balance Sheet (Exhibit B-1) and Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit B-2). The Balance Sheet shows only assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during or soon after the end of the year.

Exhibit B-1 - Reconciliation of the Governmental Fund Balance Sheet to the Government-wide Statement of Net Position, explains the differences between the two statements. Exhibit B-3 - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities, traces the change in fund balances to the change in net position reported in Exhibit A-1.

The government-wide and governmental funds financial statements show the results of the following funds:

General Fund - This Fund is used to finance the operations of the District. All tax revenues are placed in the General Fund and regular operating expenses are charged here. Funds to be used for capital equipment and projects are transferred from the General Fund to the Capital Projects Fund.

Capital Projects Fund - This Fund is used to separate funds for capital equipment and projects. All capital expenditures are taken from this Fund. Funds in this account come from revenue transferred from the General Fund to be used for capital improvements, the sale of existing assets (such as land), and interest received on the balance in the Fund.

Fiduciary funds financial statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

#### Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

#### Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information. This supplementary information follows the notes to the financial statements.

## **Financial Analysis of the District**

One of the most important questions asked about the District's finances is "Is the District as a whole better able to fulfill its mission as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the District's activities in a way that will help answer this question. These two statements report net position of the District and the changes in net position. The reader can think of the District's net position - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider the non-financial factors such as changes in economic conditions, population growth, development, and new or changed government regulation.

### **Net Position**

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District as a whole.

The District's net position at fiscal year-end is \$6,565,664.06. This is a \$307,822.44 increase over last year's net position of \$6,257,841.62. A summary of the District's statement of net position is presented in the following table:

#### **Condensed Statement of Net Position**

	<u>FY 2014</u>	<u>FY 2013</u>	<u>Change</u>	<u>Change</u>
Current and Non-current assets	\$ 4,283,135.09	\$ 4,466,798.31	\$ (183,663.22)	-4.11%
Capital assets, net of accumulated depreciation	<u>2,535,721.08</u>	<u>2,059,437.32</u>	<u>476,283.76</u>	23.13%
Total assets	<u>6,818,856.17</u>	<u>6,526,235.63</u>	<u>292,620.54</u>	4.48%
Long-term liabilities	53,517.79	60,682.55	(7,164.76)	-11.81%
Other liabilities	<u>199,674.32</u>	<u>207,711.46</u>	<u>(8,037.14)</u>	-3.87%
Total liabilities	<u>253,192.11</u>	<u>268,394.01</u>	<u>(15,201.90)</u>	-5.66%
Invested in Capital Assets, net of related debt	2,535,721.08	2,059,437.32	476,283.76	23.13%
Restricted	855,386.93	1,196,974.03	(341,587.10)	-28.54%
Unrestricted	<u>3,174,556.05</u>	<u>3,001,430.27</u>	<u>173,125.78</u>	5.77%
Total net position	<u>\$ 6,565,664.06</u>	<u>\$ 6,257,841.62</u>	<u>\$ 307,822.44</u>	4.92%

While the Statement of Net Position shows the change in financial position, the Statement of Activities provides answers as to the nature and source of these changes. As can be seen in the following table, net position increased by \$307,822.44.

**Governmental Activities**

The Statement of Activities shows the cost of the governmental activities program services and the charges for services and grants offsetting those services. Key elements of the increase in governmental activities are as follows:

<u>Expenses</u>	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>
Administration	\$ 534,795.61	\$ 469,575.78	\$ 65,219.83
Cost of providing services	1,961,260.88	1,906,692.69	54,568.19
Fire official	67,637.74	367.12	67,270.62
Appropriations for duly incorporated first aid squads	90,000.00	90,000.00	-
LOSAP contribution	<u>96,226.34</u>	<u>96,502.52</u>	<u>(276.18)</u>
Total program expenses	2,749,920.57	2,563,138.11	186,782.46
 <u>Program Revenue</u>			
Operating grants and contributions	<u>35,417.80</u>	<u>47,917.80</u>	<u>(12,500.00)</u>
Net program expenses	<u>2,714,502.77</u>	<u>2,515,220.31</u>	<u>199,282.46</u>
			-
 <u>General Revenues</u>			
Property taxes	2,867,325.00	2,833,730.00	33,595.00
Annual registration fees	94,893.19	102,690.55	(7,797.36)
Fees and permits	3,000.00	700.00	2,300.00
Miscellaneous income	8,460.56	12,508.01	(4,047.45)
Investment income	<u>4.57</u>	<u>37.12</u>	<u>(32.55)</u>
Total general revenues	<u>2,973,683.32</u>	<u>2,949,665.68</u>	<u>24,017.64</u>
			-
Increase in Net Position before Other Item	259,180.55	434,445.37	(175,264.82)
Federal disaster assistance	<u>48,641.89</u>	<u>58,747.59</u>	<u>(10,105.70)</u>
Change in net position	307,822.44	493,192.96	(185,370.52)
Net position, January 1	<u>6,257,841.62</u>	<u>5,764,648.66</u>	<u>493,192.96</u>
Net position, December 31	<u>\$ 6,565,664.06</u>	<u>\$ 6,257,841.62</u>	<u>\$ 307,822.44</u>

Property taxes constituted 96.42 % of general revenues for government activities for the Fire District for the year 2014.

Cost of providing services comprises 71.32% of fire district expenses, with administration comprising 19.45%

**Budgetary Highlights**

The State of New Jersey requires local fire districts to prepare and adopt annual budgets in accordance with the Local Authorities Fiscal Control Law and regulations adopted by the Local Finance Board pursuant to this statute N.J.S.A. 40A:78-3. The statutory budget was designed to demonstrate to the Bureau of District Regulation of the Division of Local Government Services that the cash flows of the District for the coming year will be sufficient to cover operating expenses.

The following table provides a 2014 budget comparison:

	<u>Budget as Modified</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable)</u>
<b>Revenues:</b>			
Fund balance utilized:			
Unrestricted	\$ 550,000.00	\$ 550,000.00	\$ -
Property Taxes	2,867,325.00	2,867,325.00	-
Other Revenue	126,417.00	141,776.12	15,359.12
Federal Disaster Assistance	-	48,641.89	48,641.89
<b>Total Revenues</b>	<u>3,543,742.00</u>	<u>3,607,743.01</u>	<u>64,001.01</u>
<b>Expenses:</b>			
Administration	611,700.00	531,843.97	79,856.03
Cost of providing services	2,114,467.00	1,579,424.61	535,042.39
Operating appropriations offset with revenue	82,575.00	67,637.74	14,937.26
Appropriation of First Aid Squads	90,000.00	90,000.00	-
LOSAP	100,000.00	96,226.34	3,773.66
Capital appropriation	545,000.00	545,000.00	-
<b>Total Appropriation</b>	<u>3,543,742.00</u>	<u>2,910,132.66</u>	<u>633,609.34</u>
 Excess Revenues over Appropriation	 -	 697,610.35	 697,610.35
 Prior Year Encumbrances Canceled	 -	 9,916.06	 9,916.06
 Adjusted Excess Revenue over Appropriations	 -	 707,526.41	 707,526.41
<b>Less:</b>			
Fund balance utilized	<u>550,000.00</u>	<u>550,000.00</u>	<u>-</u>
 Net position generated/(used)	 (550,000.00)	 157,526.41	 707,526.41
Fund balance, January 1	<u>3,005,882.67</u>	<u>3,005,882.67</u>	<u>-</u>
Fund balance, December 31 (budgetary basis)	<u>\$2,455,882.67</u>	<u>\$ 3,163,409.08</u>	<u>\$ 707,526.41</u>

The District's General Fund Balance of \$3,235,952.55 reported on Exhibit B-2 differs from the General Fund Budgetary Fund Balance of \$3,163,409.08 reported in Exhibit C-1. This is because the budgetary fund balance is derived using encumbrances.

The following is a reconciliation between the District's General Fund Balance on Exhibit B-2 and Budgetary Fund Balance on Exhibit C-1:

Budgetary Fund Balance	\$	3,163,409.08
Encumbrances		<u>72,543.47</u>
General Fund Balance	\$	<u><u>3,235,952.55</u></u>

**Capital Assets and Debt Administration**

Capital Assets

At the end of fiscal year 2014, the District's net property, plant and equipment at fiscal year end was \$2,535,721.08. This is a \$476,283.76 increase from last year's net property, plant and equipment of \$2,059,437.32. The increase is due principally due to depreciation expense being \$411,903.34 while additions were \$888,187.10 net of disposals. A summary of the District's capital assets is presented in the following table:

**CAPITAL ASSETS**

	<u>FY 2014</u>	<u>FY 2013</u>
Buildings and improvements	\$ 325,246.59	\$ 325,246.59
Equipment	456,030.00	456,030.00
Vehicles	5,098,892.38	3,914,347.42
Construction in progress	<u>347,656.14</u>	<u>956,187.00</u>
	6,227,825.11	5,651,811.01
Less: accumulated depreciation	<u>3,692,104.03</u>	<u>3,592,373.69</u>
	<u><u>\$ 2,535,721.08</u></u>	<u><u>\$ 2,059,437.32</u></u>

### Debt Administration

The District had no outstanding bonds or capital leases as of December 31, 2014.

### Economic Factors, Future Years' Budgets and Rates

The Commissioners and management of the District consider many factors when preparing each year's budget and annual charges. Two of the main factors are growth in the District's system and new regulations issued by the State and Federal governments.

### Contacting the District

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the Township of Neptune Fire District No.1, PO Box 457, Neptune, New Jersey 07754-0457.

## BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1**  
**COUNTY OF MONMOUTH, NEW JERSEY**

STATEMENT OF NET POSITION

As of December 31, 2014

	Governmental <u>Activities</u>	<u>Total</u>
Assets:		
Cash	\$ 3,432,501.87	\$ 3,432,501.87
Security Deposit Receivable	3,125.00	3,125.00
Restricted Assets:		
Cash	847,508.22	847,508.22
Capital Assets, Net	<u>2,535,721.08</u>	<u>2,535,721.08</u>
Total Assets	<u>6,818,856.17</u>	<u>6,818,856.17</u>
Liabilities:		
Accounts Payable	199,324.32	199,324.32
Payroll and Taxes Payable	350.00	350.00
Noncurrent Liabilities:		
Compensated Absences Payable	<u>53,517.79</u>	<u>53,517.79</u>
Total Liabilities	<u>253,192.11</u>	<u>253,192.11</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt	2,535,721.08	2,535,721.08
Restricted for:		
Firefighter Training and Education - Dedicated Penalties	7,878.71	7,878.71
Capital Projects	847,508.22	847,508.22
Unrestricted Net Position	<u>3,174,556.05</u>	<u>3,174,556.05</u>
Total Net Position	<u>\$ 6,565,664.06</u>	<u>\$ 6,565,664.06</u>

The accompanying notes are an integral part of this statement.

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1**  
**COUNTY OF MONMOUTH, NEW JERSEY**

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2014

Function/Programs	<u>Expenses</u>	<u>Indirect Expense Allocation</u>	<u>Total</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expenses) Revenue and Changes in Net Position</u>	
					<u>Governmental Activities</u>	<u>Total</u>
<b>GOVERNMENTAL ACTIVITIES</b>						
Operating Appropriations:						
Administration	\$ 534,795.61		\$ 534,795.61		\$ (534,795.61)	\$ (534,795.61)
Cost of Providing Services	1,549,357.54	\$ 411,903.34	1,961,260.88	\$ 35,417.80	(1,925,843.08)	(1,925,843.08)
Fire Official	67,637.74		67,637.74		(67,637.74)	(67,637.74)
Appropriations for First Aid/Rescue Squad						
Associations	90,000.00		90,000.00		(90,000.00)	(90,000.00)
Length of Service Award Program	<u>96,226.34</u>		<u>96,226.34</u>		<u>(96,226.34)</u>	<u>(96,226.34)</u>
 Total Government Activities	 <u>2,338,017.23</u>	 <u>411,903.34</u>	 <u>2,749,920.57</u>	 <u>35,417.80</u>	 <u>(2,714,502.77)</u>	 <u>(2,714,502.77)</u>
 Total Primary Government	 <u>\$ 2,338,017.23</u>	 <u>\$ 411,903.34</u>	 <u>\$ 2,749,920.57</u>	 <u>\$ 35,417.80</u>	 <u>(2,714,502.77)</u>	 <u>(2,714,502.77)</u>
 <b>GENERAL REVENUES</b>						
Property Taxes Levied for:						
General Purposes					2,322,325.00	2,322,325.00
Capital Expenditures					545,000.00	545,000.00
Annual Registration Fees					94,893.19	94,893.19
Penalties and Fines					3,000.00	3,000.00
Miscellaneous Income					8,460.56	8,460.56
Investment Income					<u>4.57</u>	<u>4.57</u>
 Total General Revenues					 <u>2,973,683.32</u>	 <u>2,973,683.32</u>
 Change in Net Position Before Other Item					 259,180.55	 259,180.55
Federal Disaster Assistance					<u>48,641.89</u>	<u>48,641.89</u>
Change in Net Position					 <u>307,822.44</u>	 <u>307,822.44</u>
 Net Position - Beginning					 <u>6,257,841.62</u>	 <u>6,257,841.62</u>
 Net Position - Ending					 <u>\$ 6,565,664.06</u>	 <u>\$ 6,565,664.06</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1**  
**COUNTY OF MONMOUTH, NEW JERSEY**

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**

As of December 31, 2014

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Cash	\$ 3,432,501.87	\$ 847,508.22	\$ 4,280,010.09
Security Deposit	<u>3,125.00</u>	<u>                    </u>	<u>3,125.00</u>
<b>Total Assets</b>	<u>\$ 3,435,626.87</u>	<u>\$ 847,508.22</u>	<u>\$ 4,283,135.09</u>
 <b>Liabilities and Fund Balance:</b>			
Accounts Payable	\$ 199,324.32	\$	\$ 199,324.32
Payroll and Taxes Payable	<u>350.00</u>	<u>                    </u>	<u>350.00</u>
<b>Total Liabilities</b>	<u>199,674.32</u>	<u>                    </u>	<u>199,674.32</u>
 <b>Fund Balances:</b>			
Restricted for:			
Firefighter Training and Education - Dedicated Penalties	7,878.71		7,878.71
Capital Projects		249,085.59	249,085.59
Assigned to:			
Encumbrances	72,543.47	598,422.63	670,966.10
Subsequent Year's Budget	600,000.00		600,000.00
Unassigned	<u>2,555,530.37</u>	<u>                    </u>	<u>2,555,530.37</u>
<b>Total Fund Balances</b>	<u>3,235,952.55</u>	<u>847,508.22</u>	<u>4,083,460.77</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 3,435,626.87</u>	<u>\$ 847,508.22</u>	
 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 \$6,227,825.11 and the Accumulated Depreciation is \$3,692,104.03			
			2,535,721.08
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
			<u>(53,517.79)</u>
<b>Net Position of Governmental Activities</b>			<u>\$ 6,565,664.06</u>

The accompanying notes are an integral part of this statement.

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1**  
**COUNTY OF MONMOUTH, NEW JERSEY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2014

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Operating Revenues:			
Miscellaneous Revenues Anticipated:			
Supplemental Fire Services Grant	\$ 35,417.80		\$ 35,417.80
Annual Registration Fees	94,893.19		94,893.19
Penalties and Fines	3,000.00		3,000.00
Amount to be Raised by Taxation	2,322,325.00	\$ 545,000.00	2,867,325.00
Miscellaneous	8,460.56		8,460.56
Investment Income	4.57		4.57
	<hr/>	<hr/>	<hr/>
Total Revenues	2,464,101.12	545,000.00	3,009,101.12
	<hr/>	<hr/>	<hr/>
Expenditures:			
Operating Appropriations:			
Administration	526,805.02		526,805.02
Cost of Providing Services	1,564,512.89		1,564,512.89
Fire Official	67,637.74		67,637.74
Appropriations for First Aid/Rescue			
Squads	90,000.00		90,000.00
Length of Service Awards Program	96,226.34		96,226.34
Investment in Capital Assets		888,187.10	888,187.10
	<hr/>	<hr/>	<hr/>
Total Expenditures	2,345,181.99	888,187.10	3,233,369.09
	<hr/>	<hr/>	<hr/>
Excess before Other Items	118,919.13	(343,187.10)	(224,267.97)
Federal Disaster Assistance	48,641.89		48,641.89
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	167,561.02	(343,187.10)	(175,626.08)
Fund Balance - January 1	3,068,391.53	1,190,695.32	4,259,086.85
	<hr/>	<hr/>	<hr/>
Fund Balance - December 31	\$ 3,235,952.55	\$ 847,508.22	\$ 4,083,460.77
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of this statement.

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1**  
 COUNTY OF MONMOUTH, NEW JERSEY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2014

Total Net Change in Fund Balances - Governmental Funds (B-2) \$ (175,626.08)

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, on 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 depreciation exceeded capital outlay in the current period

Depreciation Expense	(411,903.34)
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Depreciable Capital Outlays	888,187.10
-----------------------------	------------

In the Statement of Activities, certain operating expenses e.g. compensated absences 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.

Decrease in Compensated Absences Payable	<u>7,164.76</u>
--	-----------------

Change in Net Position of Governmental Activities	<u><u>\$ 307,822.44</u></u>
---	-----------------------------

The accompanying notes are an integral part of this statement.

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1**  
**COUNTY OF MONMOUTH, NEW JERSEY**

STATEMENT OF NET POSITION  
 FIDUCIARY FUNDS

As of December 31, 2014

	<u>Unemployment Compensation</u>	(Unaudited) <u>Length of Service Award Plan</u>
Assets:		
Cash	\$ 41,954.76	
Investments		\$ 969,547.26
Contributions Receivable		96,226.34
Total Assets	\$ 41,954.76	\$ 1,065,773.60
Liabilities and Net Position:		
Net Position:		
Held in Trust for Unemployment Claims	\$ 41,954.76	
Available for Benefits		\$ 1,065,773.60
Total Net Position	\$ 41,954.76	\$ 1,065,773.60

The accompanying notes are an integral part of this statement.



**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1**  
**COUNTY OF MONMOUTH, NEW JERSEY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**

For the Year Ended December 31, 2014

	<u>Unemployment Compensation</u>	(Unaudited) <u>Length of Service Award Plan</u>
Additions:		
Contributions:		
Fire District		\$ 96,226.34
Fire District Employees	\$ 760.02	
Appreciation on Investments		<u>56,562.04</u>
Total Additions	760.02	152,788.38
Deductions:		
Benefits Paid	4,235.36	38,767.82
Administrative Expenses		<u>2,981.59</u>
Total Deductions	<u>4,235.36</u>	<u>41,749.41</u>
Change in Net Position	(3,475.34)	111,038.97
Net Position - Beginning of Year	<u>45,430.10</u>	<u>954,734.63</u>
Net Position - End of Year	<u>\$ 41,954.76</u>	<u>\$ 1,065,773.60</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

**NOTE 1**    **DESCRIPTION OF REPORTING ENTITY**

Fire District No. 1 of the Township of Neptune (“District”) is a political subdivision of the Township of Neptune, County of Monmouth, New Jersey.

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. 1 of the Township of Neptune has four fire companies within its jurisdiction: Unexcelled Fire Company, Hamilton Fire Company, Liberty Fire Company, and Shark River Hills Fire Company.

**NOTE 2**    **SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the 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 District’s accounting policies are described below.

A.    Financial Statements:

Governmental-Wide Financial Statements

      The District’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These Statements report information on all of the non-fiduciary activities of the primary government.

      The statement of activities demonstrates the degree to which the direct expenses of a given function is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or section and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

      Separate financial statements are provided for the District’s government funds.

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

A. Financial Statements (continued):

Governmental-Wide Financial Statements (continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements

The District's Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance for all major governmental funds and non-major funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the Net Position presented in the Government-Wide financial statements.

All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. Expenditures are recorded in the accounting period in which the related fund liability is incurred. Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the different measurement focus and basis of accounting.

The Governmental Funds are as follows:

General Fund - The General Fund is the General Operating fund of the District and is used to account for the inflows and outflows of financial resources.

Capital Projects Fund - The Capital Projects Fund is used for the acquisition or construction of major capital assets. The financial resources are derived from the issuance of debt, by

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

A. Financial Statements (continued):

Governmental Fund Financial Statements (continued)

Capital Projects Fund (continued)

reservation of fund balances that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. Funds appropriated for capital projects included in the annual adopted budget are raised by taxation or are offset by fund balances appropriated and are transferred into the Capital Projects Fund. Additional financial resources are the sale of existing assets and interest received on the balance in the fund.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest. The District currently has no debt.

Fiduciary Fund Financial Statements

Fiduciary Funds - The Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organization, other governments and/or other funds.

B. 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 fire districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statutes provide a list of permissible investments that may be purchased by New Jersey fire districts.

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

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Cash, Cash Equivalents and Investments (continued)**

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 Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of 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.

**C. Assessment and Collection of Property Tax**

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

The collector or treasurer of the municipality, in which said District is situated, shall pay over all moneys so assessed to the treasurer or custodian of funds of said Fire District as follows: on or before April 1, an amount equalizing 21.25% of all monies so assessed; on or before July 1, an amount equaling 22.50% of all moneys so assessed; on or before October 1, an amount equaling 25.00% of all moneys so assessed; and on or before December 31, an amount equaling the difference between the total of all moneys so assessed and the total amount of such moneys previously paid over, to be held and expended for the purpose of providing and maintaining means for extinguishing fires in such District.

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

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

C. Assessment and Collection of Property Tax (continued)

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

- D. Capital Assets - Capital Assets, which include apparatus and equipment, are reported in the Government-Wide Financial Statements. Capital Assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. The District has set capitalization thresholds for reporting capital assets at \$5,000.00 and a minimum useful life of five years.

Depreciation is recorded on the straight-line method (with one half year applied in the year of acquisition) over the useful lives of the assets as follows:

Buildings	40 years
Building improvements	20 years
Vehicles	8 years
Equipment	5-10 years

- E. Inventory Materials and Supplies - Purchase of materials and supplies are recorded as expenditures when they are acquired, regardless of when used.
- F. Prepaid Expenses - Payments made for services not rendered until the subsequent year are recorded as prepaid expenses and are then expensed when the service is rendered.
- G. Budgets/Budgetary Control

An annual budget is prepared each year for the operations of the District. The budget is approved by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The budget is then voted upon by the public, at the annual fire district election held on the third Saturday in February. Budgetary transfers may be made during the last two months of the year. Formal budgetary integration into the accounting system is employed as a management control device during the year.

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

- H. Encumbrances - Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in excess of accounts payable in governmental funds, other than the special revenue fund, are reported as an assignment of fund balance at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

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

- I. Long-Term Obligations - Long-term debt is recorded in the government-wide financial statements when incurred. Long-term debt is recognized in the governmental funds when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

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. 40A:14-85 to 87 governs procedures for the issuance of debt related to such purchases.

- J. Compensated Absences - Employees of the District are entitled to one day of sick leave for each calendar month the employee works up to a maximum of 12 sick days leave for each calendar year. Unused sick leave may be accumulated and carried forward to the subsequent years to a maximum of 240 days. Upon termination in good standing, employees shall receive payment for one-half of the accumulated sick leave. Employees are entitled to three personal days that may not be carried forward to subsequent years. Vacation days not used during the year may not be accumulated and carried forward.
- K. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- L. Unrealized Gains and Losses - GASB has established GASB No. 31 which requires public agencies to report the financial effect of all unrealized gains and losses on invested funds. As of December 31, 2014, the District has no unrealized gains or losses.



**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

- M. Restricted Assets - Certain assets are classified on the Statement of Net Position as restricted because their use is limited. Property taxes collected for capital acquisitions is legally restricted for that purpose. Dedicated penalties for firefighter training and education must be used only for firefighter training and/or new firefighting equipment.
- N. Program Revenues - Appropriations received from the Township of Neptune that offset the cost of providing services are recorded as program revenues in the Statement of Activities.
- O. Indirect Expense Allocation - Depreciation expense is allocated to the cost of providing services in the Statement of Activities.
- P. Fund Equity - In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:
- Nonspendable - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e. items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
  - Restricted - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
  - Committed - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the District Commissioners through the adoption of a resolution. Only the District Commissioners may modify or rescind the commitment.
  - Assigned - Fund balances are reported as assigned when amounts are constrained by the District's intent to be used for specific purposes. But are neither restricted nor committed.
  - Unassigned - Fund balances are reported as unassigned when the balances do not meet any of the above criterion. The District reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all other funds.

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

P. Fund Equity (continued)

Fund Balance Flow Assumptions:

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the District's policy to use fund balance in the following order: committed, assigned, then unassigned.

Net Position:

Equity for government-wide financial statements is classified as net position and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position - Consists of net position with constraints placed on the use either by (a) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments or (b) law through constitutional provisions or enabling legislation. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above.
3. Unrestricted net position - All other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

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

**NOTE 3 DEPOSITS AND INVESTMENTS**

A. Deposits

At December 31, 2014, the District's deposits had a carrying amount of \$4,321,964.85.

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

**NOTE 3 DEPOSITS AND INVESTMENTS (continued)**

A. Deposits (continued)

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be recovered. Although the 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 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the district in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholding, bail funds, or funds that may pass to the municipality relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below.

As of December 31, 2014, the District's bank balances of \$4,374,878.53 were exposed to custodial credit risk as follows:

Insured	\$ 250,000.00
Collateralized	4,124,878.53
Uninsured and Uncollateralized	<u>                  -</u>
Total	\$ <u>4,374,878.53</u>

B. Investments

As of December 31, 2014, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Book Value</u>
LOSAP Fund:		
LOSAP	<u>\$969,547.26</u>	<u>\$969,547.26</u>

The fair value of the above listed investments was based on quoted market price.

Interest Rate Risk

LOSAP investment options are at the discretion of each individual participant and not the District.

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

**NOTE 3 DEPOSITS AND INVESTMENTS (continued)**

B. Investments (continued)

Interest Rate Risk (continued)

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

**NOTE 4 CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated:				
Buildings and building improvements	\$ 325,246.59	\$ -	\$ -	\$ 325,246.59
Vehicles	3,914,347.42	1,496,717.96	312,173.00	5,098,892.38
Equipment	456,030.00	-	-	456,030.00
Construction in Progress	<u>956,187.00</u>	<u>347,656.14</u>	<u>956,187.00</u>	<u>347,656.14</u>
Total	5,651,811.01	1,844,374.10	1,268,360.00	6,227,825.11
Less: Accumulated Depreciation	<u>(3,592,373.69)</u>	<u>(411,903.34)</u>	<u>(312,173.00)</u>	<u>(3,692,104.03)</u>
Government Activity Capital Assets, Net	<u>\$ 2,059,437.32</u>	<u>\$ 1,432,470.76</u>	<u>\$ 956,187.00</u>	<u>\$ 2,535,721.08</u>

All depreciation expense is charged as an indirect cost allocation to cost of providing services in the Statement of Activities.

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

**NOTE 5 GENERAL LONG-TERM OBLIGATIONS**

Long-Term Obligation Activity:

Bonds Payable

At December 31, 2014, the Fire District had no bonded indebtedness.

Capital Leases

At December 31, 2014, the Fire District had no capital lease agreements in effect.

Operating Lease

The District leases the District Office under the terms of an operating lease. The original lease expired August 1, 2013. The District is currently leasing the District Office on an annual lease. Rental expense for the operating lease amounted to \$46,770.77 for the year ended December 31, 2014.

In addition to the above lease, the District pays rentals to the Hamilton Fire Company and the Shark River Hills Fire Company in the amount of \$39,000.00 and \$38,200.00 respectively. These rentals are for the use of space at the respective fire houses. Payments are based on previous leases that have expired. Payments will remain at \$39,000.00 and \$38,200.00 until such time as a new agreement is reached.

Changes in Long-Term Obligations for the year ended December 31, 2014, are as follows:

	Balance December 31, <u>2013</u>	<u>Additions</u>	<u>Retired</u>	Balance December 31, <u>2014</u>	Amounts Due Within <u>One Year</u>
Compensated absences	\$ <u>60,682.55</u>	\$ <u>13,753.09</u>	\$ <u>20,917.85</u>	\$ <u>53,517.79</u>	\$ <u>-</u>
	\$ <u>60,682.55</u>	\$ <u>13,753.09</u>	\$ <u>20,917.85</u>	\$ <u>53,517.79</u>	\$ <u>-</u>

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

**NOTE 6 PENSIONS AND RETIREMENT PLANS**

Plan Description

The Fire District contributes to the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), cost-sharing multiple-employer defined benefit pension plans administered by the Division of Pensions in the Department of the Treasury, State of New Jersey. The plans provide retirement, death, disability benefits and medical benefits to certain qualifying plan members and beneficiaries. The Public Employees' Retirement System was established January 1, 1955 under the provisions of N.J.S.A. 43:15A. The Police and Firemen's Retirement System was established July 1, 1944 under the provisions of N.J.S.A. 43:16A. The Public Employees' Retirement System and the Police and Firemen's Retirement System issue publicly available financial reports that include financial statements and required supplementary information. These reports may be obtained by writing to the State of New Jersey, Division of Pensions, PO Box 295, Trenton, NJ 08625.

Funding Policy

Employee contributions are currently 6.92% and 10% of their base wages for PERS and PFRS, respectively. Employer's contributions are actuarially determined annually by the Division of Pensions. The Fire District's contributions to the plans for the past three (3) years are as follows:

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>
2014	\$ 11,697.00	\$ 85,322.00
2013	10,410.00	95,766.00
2012	9,875.00	96,685.00

All contributions were equal to the required contributions for each of the three years, respectively.

Under the provisions of Chapter 78, P.L. 2011, employee pension contribution rates for PERS members increased effective July 1, 2014 from 6.78% to 6.92%. The contribution rate will increase by 0.014% each year on July 1 until July 1, 2017 and increases 0.16% on July 1, 2018 when the rate will be 7.50%.

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

**NOTE 7 POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (“OPEB”)**

A. Plan Description

In addition to the pension benefits described in Note 6, the District contributes to the New Jersey State Health Benefits Program, a multiple-employer, cost-sharing defined benefit post-employment benefit plan other than pensions (“OPEB”) administered by the Division of Pensions in the Department of the Treasury, State of New Jersey. The plan provides for health care benefits for retired employees who meet certain service requirements and can be amended by the District subject to applicable collective bargaining and employment agreements. The New Jersey Health Benefits Program issues publicly available financial reports that include financial statements and required supplementary information. These reports can be obtained by writing to the State of New Jersey, Division of Pensions and Benefits.

B. Funding Policy

The District currently contributes on a pay-as-you-go basis based upon monthly invoices from the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits. Former employees are currently not required to contribute to the plan. Employer contributions to the plan for the last three years and the number of former employees eligible for and participating in the post employment health care benefits program as of the respective year ended December 31 was as follows:

<u>Year</u>	<u>Contribution</u>	<u>Number of Employees</u>
2014	\$ 88,305.48	6
2013	102,199.18	7
2012	108,550.52	7

**NOTE 8 DEFERRED COMPENSATION**

The District offers its employees a Deferred Compensation Plan created in accordance with the provisions of N.J.S. 43:15B-1 et. seq., and the Internal Revenue Code, Section 457. The plan, available to all district employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Statutory and regulatory requirements governing the establishment and operation of Deferred Compensation Plans have been codified in the New Jersey Administration Code under N.J.A.C. 5:3-37.

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

**NOTE 8 DEFERRED COMPENSATION**

The “Small Business Job Protection Act of 1996” revised several provisions of Section 457 of the Internal Revenue Code. A provision of the act required that all existing plans be modified to provide that the funds be held for the exclusive benefit of the participating employees and their beneficiaries.

The plan was adopted by Resolution on October 21, 1998 and amended by resolution on April 4, 2000.

The administrator for the District’s Deferred Compensation Plan is The Equitable Life Assurance Society of the United States.

**NOTE 9 LENGTH OF SERVICE AWARD PROGRAM (UNAUDITED)**

On February 20, 1999, the voters of the District approved a referendum authorizing the establishment of a Length of Service Awards Program (“LOSAP”). The LOSAP will provide tax-deferred income benefits to the active volunteer fire fighters and first aid squad members who are eligible to participate. The 2014 budget charge to fund the LOSAP was \$ 96,226.34. The financial statements of the LOSAP are included in the Fiduciary Fund financial statements and are unaudited.

**NOTE 10 RISK MANAGEMENT**

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

Property and Liability Insurance

The District, through the Township of Neptune, is a member of the Statewide Joint Insurance Fund (the “Fund”). This public entity risk pool is both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen’s compensation. The Fund will be self-sustaining through member premiums. The Fund participates in the Municipal Excess Liability Program which has a contract for excess liability insurance for property. There were no settlements in excess of insurance coverage in 2014, 2013, and 2012.



**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

**NOTE 10 RISK MANAGEMENT (continued)**

New Jersey Unemployment Compensation Insurance

The 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 District share of unemployment tax. The District is billed quarterly for amounts due to the State. The following is a summary of employee contributions, reimbursements to the State for benefits paid and the ending balance of the District’s trust fund for the current year and prior two years:

<u>Year Ended</u> <u>December 31,</u>	<u>Interest</u> <u>Earned</u>	<u>Employee</u> <u>Contributions</u>	<u>Benefits</u> <u>Paid</u>	<u>Ending</u> <u>Balance</u>
2014	\$ 0.00	\$ 760.02	\$ 4,235.36	\$ 41,954.76
2013	0.00	932.43	18,537.84	45,430.10
2012	0.00	1,104.61	5,404.35	23,075.51

**NOTE 11 CONTINGENT LIABILITIES**

Litigation

The District is involved in legal and administrative proceedings and claims of various types. While any litigation contains an element of uncertainty, District’s management, based upon the opinion of the District’s attorney, presently believe that the outcome of each such proceeding or claim which is pending or known to be threatened, or all of them combined, will not have a material effect on the District’s financial position.

**NOTE 12 OTHER COMMITMENTS**

At December 31, 2014 the District had encumbrances of \$282,422.63 to complete the construction of a fire truck and \$316,000.00 for construction of a new building.

**NOTE 13 SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 16, 2015 which is the date the financials were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1**  
 COUNTY OF MONMOUTH, NEW JERSEY

BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 BUDGET AND ACTUAL - BUDGETARY BASIS

For the Year Ended December 31, 2014

	Adopted Budget	Final Budget	Actual Amounts Budgetary Basis See Note A at C-2	Variance Final To Actual
Fund Balance Utilized:				
Unrestricted Fund Balance	\$ 550,000.00	\$ 550,000.00	\$ 550,000.00	\$ -
Revenues:				
Supplemental Fire Services Grant	35,417.00	35,417.00	35,417.80	0.80
Uniform Fire Safety Act:				
Annual Registration Fees	90,000.00	90,000.00	94,893.19	4,893.19
Penalties and Fines	1,000.00	1,000.00	3,000.00	2,000.00
Amount to be Raised by Taxation	2,322,325.00	2,322,325.00	2,322,325.00	-
Miscellaneous Income	-	-	8,460.56	8,460.56
Total Operating Revenues	<u>2,448,742.00</u>	<u>2,448,742.00</u>	<u>2,464,096.55</u>	<u>15,354.55</u>
Federal Disaster Assistance			48,641.89	48,641.89
Interest Income	-	-	4.57	4.57
Total Revenues	<u>2,998,742.00</u>	<u>2,998,742.00</u>	<u>3,062,743.01</u>	<u>64,001.01</u>
Expenditures:				
Administration:				
Salaries and Wages	177,000.00	137,000.00	121,899.32	15,100.68
Fringe Benefits	82,100.00	82,100.00	70,797.86	11,302.14
Election	2,100.00	2,100.00	1,334.24	765.76
Insurance	190,000.00	130,000.00	125,375.50	4,624.50
Office Expenses	35,500.00	60,500.00	39,809.11	20,690.89
Professional Services	70,000.00	130,000.00	105,580.32	24,419.68
Travel	3,000.00	3,000.00	303.00	2,697.00
Fire Prevention	10,000.00	20,000.00	19,973.85	26.15
Office Rental	47,000.00	47,000.00	46,770.77	229.23
Total Administration	<u>616,700.00</u>	<u>611,700.00</u>	<u>531,843.97</u>	<u>79,856.03</u>

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1**  
COUNTY OF MONMOUTH, NEW JERSEY

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
BUDGET AND ACTUAL - BUDGETARY BASIS

For the Year Ended December 31, 2014

	Adopted Budget	Final Budget	Actual Amounts Budgetary Basis See Note A at C-2	Variance Final To Actual
Cost of Providing Services:				
Salaries and Wages	598,950.00	598,950.00	368,034.15	230,915.85
Fringe Benefits	370,000.00	310,000.00	230,997.53	79,002.47
Advertising	1,000.00	1,000.00	371.74	628.26
Building and Grounds Repairs and Maintenance	100,000.00	190,000.00	134,368.54	55,631.46
Vehicle Maintenance and Repair	190,000.00	190,000.00	170,197.69	19,802.31
Lease Charges	77,200.00	77,200.00	77,200.00	-
Supplies and Equipment	65,000.00	65,000.00	60,974.10	4,025.90
Training and Education	16,000.00	16,000.00	15,655.95	344.05
Travel Expenses	5,200.00	5,200.00	1,894.74	3,305.26
Utilities	117,000.00	117,000.00	54,686.27	62,313.73
Hydrant Rental	215,000.00	215,000.00	184,907.25	30,092.75
Aid to Volunteer Fire Company	64,000.00	64,000.00	64,000.00	-
Operation and Maintenance of Fire Bureau	7,000.00	7,000.00	6,601.69	398.31
Supplemental Fire Services Grant	35,417.00	35,417.00	35,417.00	-
Gear Maintenance	75,000.00	75,000.00	37,475.57	37,524.43
Facility Maintenance	140,000.00	140,000.00	133,293.54	6,706.46
Uniforms	7,700.00	7,700.00	1,948.85	5,751.15
Dedicated Penalties			1,400.00	(1,400.00)
Total Cost of Providing Services	<u>2,084,467.00</u>	<u>2,114,467.00</u>	<u>1,579,424.61</u>	<u>535,042.39</u>
Operating Appropriations Offset with Revenues:				
Salaries and Wages	60,000.00	60,000.00	47,505.18	12,494.82
Fringe Benefits	<u>47,575.00</u>	<u>22,575.00</u>	<u>20,132.56</u>	<u>2,442.44</u>
Total Operating Appropriations Offset with Revenues	107,575.00	82,575.00	67,637.74	14,937.26
Appropriations for First Aid/Rescue Squad Assoc.:				
Materials and Supplies	<u>90,000.00</u>	<u>90,000.00</u>	<u>90,000.00</u>	<u>-</u>

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1**

COUNTY OF MONMOUTH, NEW JERSEY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

BUDGET AND ACTUAL - BUDGETARY BASIS

For the Year Ended December 31, 2014

	Adopted Budget	Final Budget	Actual Amounts Budgetary Basis See Note A at C-2	Variance Final To Actual
Length of Service Award Program: LOSAP Contribution	100,000.00	100,000.00	96,226.34	3,773.66
Total Expenditures	2,998,742.00	2,998,742.00	2,365,132.66	633,609.34
Prior Year Encumbrances Canceled			9,916.06	
Excess of Revenues Over Expenditures	-	-	707,526.41	707,526.41
Fund Balance, January 1	3,005,882.67	3,005,882.67	3,005,882.67	-
	3,005,882.67	3,005,882.67	3,713,409.08	707,526.41
Less: Fund Balance Utilized	550,000.00	550,000.00	550,000.00	-
Fund Balance, December 31	\$ 2,455,882.67	\$ 2,455,882.67	\$ 3,163,409.08	\$ 707,526.41

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1**  
**COUNTY OF MONMOUTH, NEW JERSEY**

BUDGET -to- GAAP RECONCILIATION

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>
Sources/Inflows of Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule (C-1)	\$ 3,062,743.01
Differences - budget to GAAP:	
The fund balance appropriated is a budgetary resource but is not a current year revenue for financial reporting purposes	<u>(550,000.00)</u>
 Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2)	 <u>\$ 2,512,743.01</u>
 Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule (C-1)	\$ 2,365,132.66
Differences - budget to GAAP:	
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but the year the supplies or equipment is received for financial reporting purposes - net change in encumbrances payable	(10,034.61)
Encumbrances of the prior year that are canceled in the current year are reported as an increase to budgetary fund balance but have no affect on Governmental Funds - prior year encumbrances canceled	<u>(9,916.06)</u>
 Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2)	 <u>\$ 2,345,181.99</u>

OTHER SUPPLEMENTARY INFORMATION

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1**  
**COUNTY OF MONMOUTH, NEW JERSEY**

SUMMARY SCHEDULE OF PROJECT REVENUES, EXPENDITURES AND FUND BALANCE  
 CAPITAL PROJECTS FUND

For the Year Ended December 31, 2014

	Balance <u>Dec. 31, 2014</u>	Increased by <u>Tax Levy</u>	<u>Purchases</u>	Balance <u>Dec. 31, 2014</u>
Purchase of New Trucks and Equipment	\$ 303,282.04	\$ 450,000.00	\$ 630,078.77	\$ 123,203.27
Purchase of Vehicles	76,882.32	45,000.00		121,882.32
Building Fund	<u>270,000.00</u>	<u>50,000.00</u>	<u>316,000.00</u>	<u>4,000.00</u>
	<u>\$ 650,164.36</u>	<u>\$ 545,000.00</u>	<u>\$ 946,078.77</u>	<u>\$ 249,085.59</u>



INTERNAL CONTROL SECTION

# FALLON & LARSEN LLP

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Certified Public Accountants

1390 Route 36, Suite 102  
Hazlet, New Jersey 07730-1716  
Telephone: (732) 888-2070  
FAX: (732) 888-6245

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

Board of Fire Commissioners  
Township of Neptune Fire District No. 1  
230 Neptune Boulevard  
Neptune, New Jersey 07754

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 prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the governmental activities, each major fund and the aggregate remaining fund information of the Board of Fire Commissioners of the Township of Neptune Fire District No. 1, (the "District"), 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 District's basic financial statements, and have issued our report thereon dated July 16, 2015. The financial statements of the Length of Service Award Program ("LOSAP") were not audited and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to audit the LOSAP Fund financial statements in accordance with auditing standards generally accepted in the United States, *Government Auditing Standards* and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. We expressed a qualified opinion on the conformity of the statements with accounting principles generally accepted in the United States of America because the Division of Local Government Services does not require the Length of Service Award Program to be audited, only reviewed.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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**

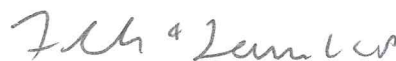
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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



Charles J. Fallon  
Certified Public Accountant  
Registered Municipal Accountant #506



Fallon & Larsen LLP

Hazlet, New Jersey  
July 16, 2015