

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

**REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2015**

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
TABLE OF CONTENTS
DECEMBER 31, 2015**

	<u>Page</u>
ROSTER OF OFFICIALS	1
FINANCIAL SECTION	
Independent Auditors' Report	2-4
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 <i>Government Auditing Standards</i>	5-6
Required Supplementary Information - Part I	
Management's Discussion and Analysis	7-14
	<u>Exhibit</u>
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	A-1
Statement of Activities	A-2
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	B-1
Statement of Revenues, Expenditures, and Changes in Fund Balances	B-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	B-3
Fiduciary Funds:	
Statement of Fiduciary Net Position	B-4
Statement of Changes in Fiduciary Net Position	B-5
	<u>Page</u>
Notes to Financial Statements	15-51
	<u>Exhibit</u>
Required Supplementary Information - Part II	
Budgetary Comparison Schedule - General Fund	C-1
Budget - to - GAAP Reconciliation	C-2
Required Supplementary Information - Part III	
Schedule of the Fire District's Proportionate Share of the Net Pension Liability of Public Employees Retirement System	D-1
Schedule of the Fire District's Contributions – Public Employees Retirement System	D-2
Schedule of the Fire District's Proportionate Share of the Net Pension Liability of Police and Firemen's Retirement System	D-3
Schedule of the Fire District's Contributions – Police and Firemen's Retirement System	D-4
Notes to Required Supplementary Information	D-5
Other Supplementary Information	
Summary Statement of Project Expenditures and Restricted Net Position – Capital Projects Fund	E-1

**TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
ROSTER OF OFFICIALS
DECEMBER 31, 2015**

BOARD OF FIRE COMMISSIONERS

John Fritz, President

Frank Lane, Vice-President

Arthur Daly, Treasurer

Frank Martuscelli, Clerk

Todd Puryear, Deputy Clerk

FINANCIAL SECTION

FALLON & LARSEN LLP

Certified Public Accountants

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

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, 2015 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of December 31, 2015, 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.

Emphasis of Matter

Adoption of New Accounting Principles

As discussed in note 1 to the financial statements, during the year ended December 31, 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Prior Period Restatement

Because of the implementation of GASB Statements No. 68 and No. 71, net position as of December 31, 2014, on the statement of activities has been restated, as discussed in note 13 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of the Fire District's proportionate share of the net pension liability, and schedules of the Fire District's contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 December 6, 2016, 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 CPA

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

Fallon & Larsen LLP

Fallon & Larsen LLP

Hazlet, New Jersey
December 6, 2016

FALLON & LARSEN LLP

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, 2015, and the related notes to the financial statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 6, 2016. Our report on the financial statements included an emphasis of matter paragraph describing the restatement of the prior period financial statements resulting from the adoption of new accounting principles.

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 CPA

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

Fallon & Larsen LLP

Fallon & Larsen LLP

Hazlet, New Jersey
December 6, 2016

REQUIRED SUPPLEMENTARY INFORMATION - PART I

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2015

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, 2015. Please read this analysis in conjunction with the District's financial statements.

Financial Highlights

- During the year ended December 31, 2015, the Fire District was required to implement Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The notes to the financial statements provide a more thorough discussion of the implementation of GASB's No. 68 and GASBs No. 71 and the financial statement effects.

The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$4,988,228.04 (net position) as of December 31, 2015. This compares to December 31, 2014 when assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$4,804,229.06 after restatement for GASBs No. 68 and No. 71.

- In total, net position increased \$183,998.98 or 3.83%.
- The District had \$2,878,880.30 in expenses. \$51,432.80 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 \$94,883.46 or 11.20%.
- Total net position is comprised of the following:
 - Net investment in capital assets of \$2,755,218.44 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt.
 - Restricted net position of \$764,729.47 is restricted by constraints imposed from outside the District such as debt covenants, grantors, laws, or regulations.
 - Unrestricted net position of \$1,468,280.13 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, deferred outflows, liabilities, and deferred inflows, 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-2.

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, deferred outflows, liabilities, and deferred inflows, - 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 \$4,988,228.04. This is a \$183,998.98 increase over last year's net position of \$4,804,229.06. A summary of the District's statement of net position is presented in the following table:

Condensed Statement of Net Position				
	<u>FY 2015</u>	<u>FY 2014</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and Non-current assets	\$ 4,340,046.41	\$ 4,283,135.09	\$ 56,911.32	1.33%
Capital assets, net of accumulated depreciation	<u>2,755,218.44</u>	<u>2,535,721.08</u>	<u>219,497.36</u>	8.66%
Total assets	<u>7,095,264.85</u>	<u>6,818,856.17</u>	<u>276,408.68</u>	4.05%
Deferred Outflows of Resources	<u>479,169.00</u>	<u>105,082.00</u>	<u>374,087.00</u>	356.00%
Current Liabilities and Accrued Exp	368,528.82	322,127.32	46,401.50	14.40%
Noncurrent Liabilities:				
Net Pension Liability	1,904,559.00	1,358,804.00	545,755.00	40.16%
Cempensted Absences Payable	<u>59,626.99</u>	<u>53,517.79</u>	<u>6,109.20</u>	11.42%
Total liabilities	<u>2,332,714.81</u>	<u>1,734,449.11</u>	<u>598,265.70</u>	34.49%
Deferred Inflows of Resources	<u>253,491.00</u>	<u>385,260.00</u>	<u>(131,769.00)</u>	-34.20%
Net Investment in Capital Assets	2,755,218.44	2,535,721.08	219,497.36	8.66%
Restricted	764,729.47	855,386.93	(90,657.46)	-10.60%
Unrestricted	<u>1,468,280.13</u>	<u>1,413,121.05</u>	<u>55,159.08</u>	3.90%
Total net position	<u>\$ 4,988,228.04</u>	<u>\$ 4,804,229.06</u>	<u>\$ 183,998.98</u>	3.83%

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 \$183,998.98.

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>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Administration	\$ 527,795.90	\$ 534,795.61	\$ (6,999.71)
Cost of providing services	2,101,145.15	1,961,260.88	139,884.27
Fire official	72,664.76	67,637.74	5,027.02
Appropriations for First Aid/Rescue Squad			
Associations	90,000.00	90,000.00	-
Length of Service Award Program	<u>87,274.49</u>	<u>96,226.34</u>	<u>(8,951.85)</u>
Total program expenses	<u>2,878,880.30</u>	<u>2,749,920.57</u>	<u>128,959.73</u>
<u>Program Revenue</u>			
Operating Grants and Appropriations	<u>51,432.80</u>	<u>35,417.80</u>	<u>16,015.00</u>
Net Program Expenses	<u>2,827,447.50</u>	<u>2,714,502.77</u>	<u>112,944.73</u>
			-
<u>General Revenues</u>			
Property Taxes	2,869,730.00	2,867,325.00	2,405.00
Annual Registration Fees	115,026.26	94,893.19	20,133.07
Fees and Penalties	8,502.00	3,000.00	5,502.00
Miscellaneous Income	18,188.22	8,460.56	9,727.66
Investment Income	-	4.57	(4.57)
Total General Revenues	<u>3,011,446.48</u>	<u>2,973,683.32</u>	<u>37,763.16</u>
			-
Increase in Net Position before Other Items	183,998.98	259,180.55	(75,181.57)
Federal disaster assistance	-	48,641.89	(48,641.89)
Change in net position	<u>183,998.98</u>	<u>307,822.44</u>	<u>(123,823.46)</u>
Net position, January 1	<u>4,804,229.06</u>	<u>4,899,037.62</u>	<u>(94,808.56)</u>
Net position, December 31 (prior to restatement)	4,988,228.04	5,206,860.06	(218,632.02)
Restatement to record Net Position Liability (GASB's No. 68 and No. 71)	<u>-</u>	<u>(402,631.00)</u>	<u>402,631.00</u>
Net Position, December 31	<u>\$ 4,988,228.04</u>	<u>\$ 4,804,229.06</u>	<u>\$ 183,998.98</u>

Property taxes constituted 95.29 % of general revenues for government activities for the Fire District for the year 2015.

Cost of providing services comprises 72.99% of fire district expenses, with administration comprising 18.33%

Budgetary Highlights

The State of New Jersey requires local fire districts to prepare and adopt annual budgets in accordance with the N.J.S.A. 40A:14-78.1. The statutory budget was designed to demonstrate to 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 2015 budget comparison:

	<u>Budget as</u> <u>Modified</u>	<u>Actual</u>	<u>Favorable/</u> <u>(Unfavorable)</u>
Revenues:			
Fund Balance Utilized:			
Unrestricted	\$ 600,000.00	\$ 600,000.00	\$ -
Property Taxes	2,869,730.00	2,869,730.00	-
Other Revenue	<u>126,417.00</u>	<u>177,134.28</u>	<u>50,717.28</u>
Total Revenues	<u>3,596,147.00</u>	<u>3,646,864.28</u>	<u>50,717.28</u>
Expenses:			
Administration	680,850.00	518,686.32	162,163.68
Cost of Providing Services	2,061,751.00	1,613,929.16	447,821.84
Operating Appropriations Offset with Revenues	118,546.00	72,664.76	45,881.24
Appropriation of First Aid/Rescue Squad Assoc.	90,000.00	90,000.00	-
Length of Service Award Program	100,000.00	87,274.49	12,725.51
Capital appropriation	<u>545,000.00</u>	<u>545,000.00</u>	<u>-</u>
Total Appropriation	<u>3,596,147.00</u>	<u>2,927,554.73</u>	<u>668,592.27</u>
Excess Revenues over Appropriation	-	719,309.55	719,309.55
Prior Year Encumbrances Canceled	<u>-</u>	<u>1,767.50</u>	<u>1,767.50</u>
Adjusted Excess Revenue over Appropriations	-	721,077.05	721,077.05
Less:			
Fund balance utilized	<u>600,000.00</u>	<u>600,000.00</u>	<u>-</u>
Fund Balance generated/(used)	(600,000.00)	121,077.05	721,077.05
Fund balance, January 1	<u>3,163,409.08</u>	<u>3,163,409.08</u>	<u>-</u>
Fund balance, December 31 (budgetary basis)	<u>\$ 2,563,409.08</u>	<u>\$ 3,284,486.13</u>	<u>\$ 721,077.05</u>

The District's General Fund Balance of \$3,351,369.83 reported on Exhibit B-2 differs from the General Fund Budgetary Fund Balance of \$3,284,486.13 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	\$	3,284,486.13
Encumbrances		<u>66,883.70</u>
General Fund Balance	\$	<u><u>3,351,369.83</u></u>

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the District's net property, plant and equipment at fiscal year end was \$2,755,218.44. This is a \$219,497.36 increase from last year's net property, plant and equipment of \$2,535,721.08. The increase is due principally due to depreciation expense being \$159,039.10 while additions were \$378,536.46 net of disposals. A summary of the District's capital assets is presented in the following table:

CAPITAL ASSETS

	<u>FY 2015</u>	<u>FY 2014</u>
Buildings and improvements	\$ 738,816.84	\$ 325,246.59
Equipment	456,030.00	456,030.00
Vehicles	5,411,514.73	5,098,892.38
Construction in progress	<u>-</u>	<u>347,656.14</u>
	6,606,361.57	6,227,825.11
Less: accumulated depreciation	<u>3,851,143.13</u>	<u>3,692,104.03</u>
	<u><u>\$ 2,755,218.44</u></u>	<u><u>\$ 2,535,721.08</u></u>

Debt Administration

The District had no outstanding bonds or capital leases as of December 31, 2015.

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, 2015

	Governmental <u>Activities</u>	<u>Total</u>
Assets:		
Cash	\$ 3,584,296.65	3,584,296.65
Security Deposit Receivable	3,125.00	3,125.00
Restricted Assets:		
Cash	752,624.76	752,624.76
Capital Assets, Net	<u>2,755,218.44</u>	<u>2,755,218.44</u>
Total Assets	<u>7,095,264.85</u>	<u>7,095,264.85</u>
Deferred Outflows of Resources:		
Related to Pensions	<u>479,169.00</u>	<u>479,169.00</u>
Liabilities:		
Accounts Payable:		
Other	234,075.02	234,075.02
Pensions	88,318.00	88,318.00
Payroll and Taxes Payable	1,976.80	1,976.80
Accrued Expenses - Pension	44,159.00	44,159.00
Noncurrent Liabilities:		
Net Pension Liability	1,904,559.00	1,904,559.00
Compensated Absences Payable	<u>59,626.99</u>	<u>59,626.99</u>
Total Liabilities	<u>2,332,714.81</u>	<u>2,332,714.81</u>
Deferred Inflows of Resources:		
Related to Pensions	<u>253,491.00</u>	<u>253,491.00</u>
Net Position:		
Net Investment in Capital Assets	2,755,218.44	2,755,218.44
Restricted for:		
Firefighter Training and Education - Dedicated Penalties	12,104.71	12,104.71
Capital Projects	752,624.76	752,624.76
Unrestricted Net Position	<u>1,468,280.13</u>	<u>1,468,280.13</u>
Total Net Position	<u>\$ 4,988,228.04</u>	<u>\$ 4,988,228.04</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, 2015

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 Governmental Activities</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES						
Operating Appropriations:						
Administration	\$ 527,795.90		\$ 527,795.90		\$ (527,795.90)	\$ (527,795.90)
Cost of Providing Services	1,615,936.05	\$ 485,209.10	2,101,145.15	\$ 51,432.80	(2,049,712.35)	(2,049,712.35)
Fire Official	72,664.76		72,664.76		(72,664.76)	(72,664.76)
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>87,274.49</u>		<u>87,274.49</u>		<u>(87,274.49)</u>	<u>(87,274.49)</u>
Total Government Activities	<u>2,393,671.20</u>	<u>485,209.10</u>	<u>2,878,880.30</u>	<u>51,432.80</u>	<u>(2,827,447.50)</u>	<u>(2,827,447.50)</u>
Total Primary Government	<u>\$ 2,393,671.20</u>	<u>\$ 485,209.10</u>	<u>\$ 2,878,880.30</u>	<u>\$ 51,432.80</u>	<u>(2,827,447.50)</u>	<u>(2,827,447.50)</u>
GENERAL REVENUES						
Property Taxes Levied for:						
General Purposes					2,324,730.00	2,324,730.00
Capital Expenditures					545,000.00	545,000.00
Annual Registration Fees					115,026.26	115,026.26
Penalties and Fines					8,502.00	8,502.00
Miscellaneous Income					18,188.22	18,188.22
Investment Income					<u>-</u>	<u>-</u>
Total General Revenues					<u>3,011,446.48</u>	<u>3,011,446.48</u>
Change in Net Position Before Other Items					183,998.98	183,998.98
Net Position - Beginning (Restated)					<u>4,804,229.06</u>	<u>4,804,229.06</u>
Net Position - Ending					<u>\$ 4,988,228.04</u>	<u>\$ 4,988,228.04</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, 2015

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets:			
Cash	\$ 3,584,296.65	\$ 752,624.76	\$ 4,336,921.41
Security Deposit	<u>3,125.00</u>	<u> </u>	<u>3,125.00</u>
Total Assets	<u>\$ 3,587,421.65</u>	<u>\$ 752,624.76</u>	<u>\$ 4,340,046.41</u>
Liabilities and Fund Balance:			
Accounts Payable	\$ 234,075.02	\$	\$ 234,075.02
Payroll and Taxes Payable	<u>1,976.80</u>	<u> </u>	<u>1,976.80</u>
Total Liabilities	<u>236,051.82</u>	<u> </u>	<u>236,051.82</u>
Fund Balances:			
Restricted for:			
Firefighter Training and Education - Dedicated Penalties	12,104.71		12,104.71
Capital Projects		752,624.76	752,624.76
Assigned to:			
Encumbrances	66,883.70		66,883.70
Subsequent Year's Budget	600,000.00		600,000.00
Unassigned	<u>2,672,381.42</u>	<u> </u>	<u>2,672,381.42</u>
Total Fund Balances	<u>3,351,369.83</u>	<u>752,624.76</u>	4,103,994.59
Total Liabilities and Fund Balance	<u>\$ 3,587,421.65</u>	<u>\$ 752,624.76</u>	(Continued)

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

BALANCE SHEET
GOVERNMENTAL FUNDS

As of December 31, 2015

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 \$6,606,361.57 and the Accumulated Depreciation is \$3,851,143.13.	2,755,218.44
Deferred outflows and deferred inflows related to the refunding of debt and pensions represent the consumption and acquisition, respectively, of resources that relates to future periods; therefore, such amounts are not reported in the fund financial statements.	225,678.00
Accounts payable and accrued expenses related to pensions are not liquidated with current financial resources; therefore, such amounts are not recorded in the fund financial statements.	(132,477.00)
Long-term liabilities, including bonds payable, capital leases, compensated absences, and pension are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	<u>(1,964,185.99)</u>
Net Position of Governmental Activities:	<u>\$ 4,988,228.04</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, 2015

	General <u>Fund</u>	Capital Projects <u>Fund</u>	Total Governmental <u>Funds</u>
Operating Revenues:			
Miscellaneous Revenues Anticipated:			
Supplemental Fire Services Grant	\$ 35,417.80		\$ 35,417.80
Annual Registration Fees	115,026.26		115,026.26
Penalties and Fines	8,502.00		8,502.00
Amount to be Raised by Taxation	2,324,730.00	\$ 545,000.00	2,869,730.00
Miscellaneous	18,188.22		18,188.22
Investment Income	-		-
	<hr/>	<hr/>	<hr/>
Total Revenues	2,501,864.28	545,000.00	3,046,864.28
Expenditures:			
Operating Appropriations:			
Administration	523,725.27		523,725.27
Cost of Providing Services	1,612,782.48		1,612,782.48
Fire Official	72,664.76		72,664.76
Appropriations for First Aid/Rescue Squads	90,000.00		90,000.00
Length of Service Awards Program	87,274.49		87,274.49
Investment in Capital Assets		639,883.46	639,883.46
	<hr/>	<hr/>	<hr/>
Total Expenditures	2,386,447.00	639,883.46	3,026,330.46
Net Change in Fund Balance	115,417.28	(94,883.46)	20,533.82
Fund Balance - January 1	3,235,952.55	847,508.22	4,083,460.77
Fund Balance - December 31	<u>\$ 3,351,369.83</u>	<u>\$ 752,624.76</u>	<u>\$ 4,103,994.59</u>

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, 2015

Total Net Change in Fund Balances - Governmental Funds (B-2)	\$ 20,533.82
<p>Amounts reported for governmental activities in the Statement of Activities (A-2) are different because:</p>	
<p>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.</p>	
Depreciation Expense	(485,209.10)
Depreciable Capital Outlays	704,706.46
<p>In the statement of activities, certain operating expenses (e.g. compensated absences, and pension), are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). when the incurred amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the incurred amount, the difference is an addition to the reconciliation (+).</p>	
(Increase) Decrease in Compensated Absences Payable	(6,109.20)
(Increase) Decrease in Pension Liabilities	<u>(49,923.00)</u>
Change in Net Position of Governmental Activities (A-2)	<u>\$ 183,998.98</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, 2015

	<u>Unemployment Compensation</u>	<u>Length of Service Award Plan</u>
Assets:		
Cash	\$ 25,373.90	
Investments		\$ 1,029,998.01
Contributions Receivable		87,274.49
	<hr/>	<hr/>
Total Assets	\$ <u>25,373.90</u>	\$ <u>1,117,272.50</u>
Liabilities and Net Position:		
Net Position:		
Held in Trust for Unemployment Claims	\$ 25,373.90	
Available for Benefits		\$ 1,117,272.50
	<hr/>	<hr/>
Total Net Position	\$ <u>25,373.90</u>	\$ <u>1,117,272.50</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 CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

As of December 31, 2015

	<u>Unemployment Compensation</u>	<u>Length of Service Award Plan</u>
Additions:		
Contributions:		
Fire District	\$	\$ 87,274.49
Fire District Employees	1,090.09	
Appreciation on Investments		7,883.26
	<hr/>	<hr/>
Total Additions	1,090.09	95,157.75
Deductions:		
Benefits Paid	17,670.95	40,310.34
Administrative Expenses		3,348.51
	<hr/>	<hr/>
Total Deductions	17,670.95	43,658.85
Change in Net Position	(16,580.86)	51,498.90
Net Position - Beginning of Year	<hr/>	<hr/>
	41,954.76	1,065,773.60
Net Position - End of Year	\$ <u>25,373.90</u>	\$ <u>1,117,272.50</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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Deferred Outflows and Deferred Inflows of Resources

The statement of net position reports separate sections for deferred outflows of resources and deferred inflow of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Fire District is required to report the following as deferred outflows of resources and deferred inflows of resources:

Defined Benefit Pension Plans – The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Fire District’s proportion of expenses and liabilities to the pension as a whole, differences between the Fire District’s pension contribution and its proportionate share of contributions, and the Fire District’s pension contributions subsequent to the pension valuation measurement date.

- I. 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.

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

J. 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.

K. 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.

L. 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.

M. 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, 2015, the District has no unrealized gains or losses.

N. 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.

O. Program Revenues - Appropriations received from the Township of Neptune and contributions from the State of New Jersey related to the Police and Firemen's Retirement System that offset the cost of providing services are recorded as program revenues in the Statement of Activities.

P. Indirect Expense Allocation - Depreciation expense is allocated to the 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, 2015

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. 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 is available.

R. 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.
- 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.

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Fund Balance (continued)

- 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 Fire Commissioners. Such formal actions consist of an affirmative vote by the Board of Fire Commissioners, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Fire Commissioners removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those 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 Fire Commissioners or by the Chief Financial Officer, to which the Board of Fire Commissioners has delegated the authority to assign amounts to be used for specific purposes. Such authority of the Chief Financial Officer is established by way of a formal job description for the position, approved by the Board of Fire 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 governmental funds, if expenditures incurred for a specific purposed exceed the amounts restricted, committed, or assigned to those purposed, it may be necessary to report a negative unassigned fund balance.

When expenditures are 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 balances first. Moreover, when expenditures are 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 balance, if appropriate, in the following order: committed, assigned, then unassigned.

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

For the year ended December 31, 2015, the Fire District adopted GASB 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. As a result of adopting such Statements, the Fire District was required to measure and recognize liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to their defined benefit pensions. The cumulative effect of adopting GASB Statements No. 68 and No. 71 totaled \$1,761,435.00, and was recognized as a restatement of the Fire District's December 31, 2014 net position on the statement of activities (see note 13).

Recently Issued Accounting Pronouncements

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

Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Statement will become effective for the Fire District for the year ending December 31, 2016. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The Statement will become effective for the Fire District for the year ending December 31, 2016. Management does not expect this Statement will have an impact on the financial statements.

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Impact of Recently Issued Accounting Principles (continued)

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Statement will become effective for the Fire District for the year ending December 31, 2017. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Plans Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement will become effective for the Fire District for the year ending December 31, 2018. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Statement will become effective for the Fire District for the year ending December 31, 2016. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The Statement will become effective for the Fire District for the year ending December 31, 2017. Management does not expect this Statement will have an impact on the notes to the financial statements.

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Impact of Recently Issued Accounting Principles (continued)

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The Statement will become effective for the Fire District for the year ending December 31, 2016. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The Statement will become effective for the Fire District for the year ending December 31, 2016. Management does not expect this Statement have an impact on the financial statements.

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

At December 31, 2015, the District's deposits had a carrying amount of \$4,362,295.31.

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.

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 3 DEPOSITS AND INVESTMENTS (continued)

A. Deposits (continued)

As of December 31, 2015, the District's bank balances of \$4,355,586.00 were exposed to custodial credit risk as follows:

Insured	\$ 250,000.00
Collateralized	4,105,586.00
Uninsured and Uncollateralized	<u> -</u>
Total	\$ <u>4,355,586.00</u>

B. Investments

As of December 31, 2015, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Book Value</u>
LOSAP Fund:		
LOSAP	<u>\$1,029,998.01</u>	<u>\$1,029,998.01</u>

Interest Rate Risk

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

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.

Investment Appreciation

During 2015, investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$7,883.26 as follows:

Mutual funds	\$ (6,953.60)
Fixed account	14,921.18
Money market funds	<u>(84.32)</u>
	<u>\$ 7,883.26</u>

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 3 DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurements

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy are described as follows.

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Program has the ability to access.
Level 2	<p>Inputs to the valuation methodology include:</p> <ul style="list-style-type: none"> - quoted prices for similar assets or liabilities in active markets; - quoted prices for identical or similar assets in inactive markets; - inputs other than quoted prices that are observable for the asset or liability - inputs that are derived principally from or corroborated by observable market data by correlation or other means <p>If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.</p>
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs or minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31 2015.

Mutual Funds: Valued at the net asset value (NAV) of shares held by the Program at year end.

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 3 DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurements (continued)

Fixed Account: Valued at the fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

Money Market: Valued at the net asset value (NAV) of shares held by the District at year end where the NAV is valued at \$1 per unit.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the District's assets at fair value as of December 31, 2015:

	<i>Assets at Fair Value as of December 31, 2015</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds:				
Technology and Utilities	\$ 3,661.27	\$ -	\$ -	\$ 3,661.27
Real Estate	1,489.15	-	-	1,489.15
Balanced/Asset Allocation	230.72	-	-	230.72
Large US Equity	412,328.94	-	-	412,328.94
Small/Mid US Equity	34,294.40	-	-	34,294.40
Intermediate-Term Bond	26,254.90	-	-	26,254.90
International Securities	40,886.64	-	-	40,886.64
	<hr/>	<hr/>	<hr/>	<hr/>
Total Mutual Funds	519,146.02	-	-	519,146.02
	<hr/>	<hr/>	<hr/>	<hr/>
Money Market Funds	8,933.74	-	-	8,933.74
	<hr/>	<hr/>	<hr/>	<hr/>
Fixed Account	-	-	501,918.25	501,918.25
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets at Fair Value	<u>\$ 528,079.76</u>	<u>\$ -</u>	<u>\$ 501,918.25</u>	<u>\$ 1,029,998.01</u>

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 3 DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurements (continued)

Level 3 Gains and Losses

The following table sets forth a summary of changes in the fair value of the District's level 3 assets for the year ended December 31, 2015.

		<i>Level 3 Assets</i>
		<i>Year Ended December 31, 2015</i>
		<u><i>Fixed Account</i></u>
Balance, January 1, 2015	\$	461,853.80
Unrealized gains/(losses) relating to instruments still held at the reporting date		14,921.21
Purchases, sales, issuances, and settlements (net)		<u>25,143.24</u>
Balance, December 31, 2015	\$	<u>501,918.25</u>

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 4 CAPITAL ASSETS

Capital Asset activity for the fiscal year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets Being Depreciated:				
Buildings and building improvements	\$ 325,246.59	\$ 413,570.25	\$ -	\$ 738,816.84
Vehicles	5,098,892.38	638,792.35	326,170.00	5,411,514.73
Equipment	456,030.00	-	-	456,030.00
Construction in Progress	347,656.14	-	347,656.14	-
Total	6,227,825.11	1,052,362.60	673,826.14	6,606,361.57
Less: Accumulated Depreciation	<u>(3,692,104.03)</u>	<u>(485,209.10)</u>	<u>(326,170.00)</u>	<u>(3,851,143.13)</u>
Government Activity Capital Assets, Net	<u>\$2,535,721.08</u>	<u>\$ 567,153.50</u>	<u>\$ 347,656.14</u>	<u>\$2,755,218.44</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, 2015

NOTE 5 GENERAL LONG-TERM OBLIGATIONS

Long-Term Obligation Activity:

Bonds Payable

At December 31, 2015, the Fire District had no bonded indebtedness.

Capital Leases

At December 31, 2015, the Fire District had no capital lease agreements in effect.

Operating Lease

The District leased the District Office under the terms of an operating lease. The original lease expired August 1, 2013. The District leased the District Office on an annual lease for 2014 and 2015. Rental expense for the operating lease amounted to \$48,020.81 for the year ended December 31, 2015. The District terminated the lease agreement as of December 31, 2015.

In addition to the above lease, the District pays rental to the Hamilton Fire Company in the amount of \$39,000.00. This rental is for the use of space at the fire house. Payments are based on a previous lease that expired. Payments will remain at \$39,000.00 until such time as a new agreement is reached.

Changes in Long-Term Obligations for the year ended December 31, 2015, are as follows:

	Balance December 31, 2014	Additions	Retired	Balance December 31, 2015	Amounts Due Within One Year
Compensated absences	\$ 53,717.79	\$ 5,909.20	\$ -	\$ 59,626.99	\$ -
Net Equipment liability	<u>1,358,804.00</u>	<u>679,918.00</u>	<u>134,163.00</u>	<u>1,904,559.00</u>	<u>-</u>
	<u>\$1,412,521.79</u>	<u>\$ 685,827.20</u>	<u>\$ 134,163.00</u>	<u>\$1,964,185.99</u>	<u>\$ -</u>

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

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 which can be found at www.state.nj.us/treasury/pensions/annrprts/shtml. The PERS's and PFRS's Boards of Trustees have primary responsibility for administration of the plans.

PERS Vesting and Benefit Provisions

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

The following represents the membership tiers for PERS:

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

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 6 PENSIONS AND RETIREMENT PLANS (continued)

PERS Vesting and Benefit Provisions (continued)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier one and two before reaching age 60, tier 3 and 4 before age 62 with 25 years or more of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month a member retires prior to the age at which a member can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirements age for the respective tier.

PFRS Vesting and Benefits Provisions

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for disability benefits, which vest after 4 years of service.

The following represents the membership tiers for PFRS:

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

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving 10 years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 6 PENSIONS AND RETIREMENT PLANS (continued)

Contributions

Public Employees Retirement System -The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by all active members and contributing employers. Members contribute at a uniform rate. Member contributions are currently 7.06%. Under the provisions of Chapter 78, P.L. 2011, pension contribution rates for PERS members increased effective July 1, 2015 from 6.92% to 7.06%. The contribution rate will increase by 0.14% each year on July 1 until July 1, 2017 and increase 0.16% on July 1, 2018 when the rate will be 7.50%. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contributions are based on an actuarially determined amount which includes the normal cost and unfunded accrued liability.

The Fire District's contractually required contribution rate for the year ended December 31, 2015 was 10.05% of the Fire District's covered-employee payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2015, the Fire District's contractually required contribution to the pension plan for the year ended December 31, 2015 is \$16,870.00 and is payable by April 1, 2016. Based on the PERS measurement date of June 30, 2014, the Fire District's contractually required contribution to the pension plan was \$12,085.00 and was paid in 2015. Employee contributions to the plan for the year ended December 31, 2015 were \$12,360.36.

Police and Firemen's Retirement System - The contribution policy for PFRS is set by N.J.S.A.43:16A and requires contributions by all active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 8.5% to 10.0%. in October 2011. Employers' contributions are based on an actuarially determined amount which includes the normal cost and unfunded accrued liability.

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 6 PENSIONS AND RETIREMENT PLANS (continued)

Special Funding Situation Component – Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a *special funding situation* as defined by GASB Statement No. 68, and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to record in the government-wide financial statements or to disclose in the notes to the financial statements of the local participating employer related to this legislation.

The Fire District's contractually required contribution rate for the year ended December 31, 2015 was 31.25% of the Fire District's covered employee payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Based on the most recent PFRS measurement date of June 30, 2015, the Fire District's contractually required contribution to the pension plan for the year ended December 31, 2015 is \$71,448.00 and is payable by April 1, 2016. Based on the PFRS measurement date of June 30, 2014, the Fire District's contractually required contribution to the pension plan for the year ended December 31, 2014 was \$66,209.00 which was paid in 2015. Employee contributions to the plan during the year ended December 31, 2015 were \$25,210.50.

The amount of contractually required contribution for the State of New Jersey's proportionate share, associated with the Fire District, for the year ended December 31, 2015 was 7.01% of the Fire District's covered-employee payroll.

Based on the most recent PFRS measurement date of June 30, 2015, the State's contractually required contribution, on-behalf of the Fire District, to the pension plan for the year ended December 31, 2015 is \$16,015.00, and is payable by April 1, 2016. Based on the PFRS measurement date of June 30, 2014, the State's contractually required contribution, on-behalf of the Fire District, to the pension plan for the year ended December 31, 2014 was \$14,795.00 paid in 2015.

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 6 PENSIONS AND RETIREMENT PLANS (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employees Retirement System – At December 31, 2015, the Fire District’s proportionate share of the PERS net pension liability was \$440,484.00. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by and actuarial valuation as of July 1, 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. The Fire District’s proportion of the net pension liability was based on a projection of the Fire District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2015 measurement date, the Fire District’s proportion was .0019622398%, which was an increase of .0005680414% from its proportion measured as of June 30, 2014.

At December 31, 2015, the Fire District’s proportionate share of the PERS pension expense, calculated by the Plan as of the June 30, 2015 measurement date was \$16,870.00.

Police and Firemen’s Retirement System – At December 31, 2015, the Fire District’s and State of New Jersey’s proportionate share of the PFRS net pension liability was as follows:

Fire District’s Proportionate Share of Net Pension Liability	\$ 1,464,075.00
State of New Jersey’s Proportionate Share of Net Pension Liability Associated with the Fire District	128,394.00
	\$ 1,592,469.00

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. The Fire District’s proportion of the net pension liability was based on a projection of the Fire District’s of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. For the June 30, 2015 measurement date, the Fire District’s proportion was .0087898045% which was a decrease of .0021487144% from its proportion measured as of June 30, 2014. Likewise, at June 30, 2015, the State of New Jersey’s proportion, on-behalf of the Fire District was .0087898045% which was an increase of .0021489144% from its proportion, on behalf of the Fire District, measured as of June 30, 2014.

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 6 PENSIONS AND RETIREMENT PLANS (continued)

At December 31, 2015, the Fire District's proportionate share of the PFRS pension expense, calculated by the Plan as of June 30, 2015 measurement date is \$80,487.00.

At December 31, 2015, the State's proportionate share of the PFRS pension expense, associated with the Fire District, calculated by the Plan as of June 30, 2015 measurement date is \$16,015.00. This on-behalf expense has been recognized by the Fire District in the government-wide financial statements.

Deferred Outflows of Resources and Deferred Inflows of Resources – At December 31, 2015, the Fire District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
Differences between Expected and Actual Experience	\$ 10,508.00	\$ -	\$ 10,508.00	\$ -	\$ 12,628.00	\$ 12,628.00
Changes of Assumptions	47,304.00	270,305.00	317,609.00			-
Net Difference between Projected and Actual Earnings on Pension Plan Investments			-	7,082.00	25,481.00	32,563.00
Changes in Proportion and Differences between Fire District Contributions and Proportionate Share of Contributions	88,287.00	18,606.00	106,893.00	-	208,300.00	208,300.00
Fire District Contributions Subsequent to the Measurement Date	8,435.00	35,724.00	44,159.00	-	-	-
	<u>\$ 154,534.00</u>	<u>\$ 324,635.00</u>	<u>\$ 479,169.00</u>	<u>\$ 7,082.00</u>	<u>\$ 246,409.00</u>	<u>\$ 253,491.00</u>

\$8,435.00 and \$35,724.00 for PERS and PFRS, respectively, included in deferred outflows of resources, will be included as a reduction of the net pension liability in the year ending December 31, 2016. These amounts were based on an estimated April 1, 2017 contractually required contribution, prorated from the pension plans measurement date of June 30, 2015 to the Fire District's year end of December 31, 2015.

The Fire District will amortize the other deferred outflows of resources and deferred inflows of resources related to pension over the following number of years:

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 6 PENSIONS AND RETIREMENT PLANS (continued)

	PERS		PFRS	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between Expected and Actual Experience				
Year of Pension Plan Deferral:				
June 30, 2014	-	-	-	-
June 30, 2015	5.72	-	-	5.53
Changes of Assumptions				
Year of Pension Plan Deferral:				
June 30, 2014	6.44	-	6.17	-
June 30, 2015	5.72	-	5.53	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments				
Year of Pension Plan Deferral:				
June 30, 2014	-	5.00	-	5.00
June 30, 2015	-	5.00	-	5.00
Changes in Proportion and Diffences between Fire District Contributions and Proportionate Share of Contributions				
Year of Pension Plan Deferral:				
June 30, 2014	6.44	6.44	6.17	6.17
June 30, 2015	5.72	5.72	5.53	5.53

Other amounts included as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future periods as follows:

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 6 PENSIONS AND RETIREMENT PLANS (continued)

Year Ending <u>Dec 31,</u>	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
2016	\$ 28,380.00	\$ (1,624.00)	\$ 26,756.00
2017	28,380.00	(1,624.00)	26,756.00
2018	28,380.00	(1,624.00)	26,756.00
2019	32,470.00	26,039.00	58,509.00
2020	<u>21,407.00</u>	<u>21,335.00</u>	<u>42,742.00</u>
	<u>\$ 139,017.00</u>	<u>\$ 42,502.00</u>	<u>\$ 181,519.00</u>

Actuarial assumptions

PERS

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.04%
Salary Increases:	
2012-2021	2.15-4.40%
	based on age
Thereafter	3.15-5.40%
	based on age
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback one year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 6 PENSIONS AND RETIREMENT PLANS (continued)

Actuarial assumptions (continued)

PERS (continued)

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

PFRS

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.04%
Salary Increases:	
2012-2021	2.60 – 9.48% based on age
Thereafter	3.60 – 10.48% based on age
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and one year using Projection Scale BB for male service requirements with adjustments for mortality improvements from the base year based on Projection Scale BB. Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected fourteen years using Projection Scale BB for female service requirements from the base year 2014 based on Projection Scale BB.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 6 PENSION PLANS (continued)

Long-term expected rate of return

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in both the PERS's and PFRS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Markets	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 6 PENSION PLANS (continued)

Discount rate

PERS

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015, respectively. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

PFRS

The discount rate used to measure the total pension liability was 5.79% as of June 30, 2015. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current members' contribution rates and that contributions from employers and the nonemployer contributing entity will be make based on the average of the last five years of contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2045. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2045, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 6 PENSION PLANS (continued)

Sensitivity of the Fire District's proportionate share of the net pension liability to changes in the discount rate.

PERS

The following presents the Fire District's proportionate share of the net pension liability calculated using the discount rate of 4.90 percent, as well as what the Fire District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.90 percent) or 1 percentage point higher (5.90 percent) than the current rate.

	1% Decrease <u>(3.90%)</u>	Discount Rate <u>(4.90%)</u>	1% Increase <u>(5.90%)</u>
Fire District's proportionate share of the net pension liability	\$547,467.00	\$440,484.00	\$350,789.00

PFRS

The following presents the Fire District's and the State of New Jersey proportionate share of the net pension liability calculated using the discount rate of 5.79 percent, as well as what the Fire District's and the State of New Jersey proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.79 percent) or 1 percentage point higher (6.79 percent) than the current rate.

	1% Decrease <u>(4.79%)</u>	1% Decrease <u>(4.79%)</u>	1% Decrease <u>(4.79%)</u>
Fire District's proportionate share of the net pension liability	\$ 1,930,116.00	\$ 1,464,075.00	\$ 1,084,060.00
State of New Jersey proportionate share of the net pension liability	169,264.00	128,394.00	95,068.00
	<u>\$2,099,380.00</u>	<u>\$ 1,592,469.00</u>	<u>\$ 1,179,128.00</u>

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 6 PENSION PLANS (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plans fiduciary net position is available in the separately issued New Jersey Division of Pension and Benefits financial report. Information on where to obtain the report is indicated at the beginning of this note.

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

1. 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>
2015	\$ 80,181.72	6
2014	88,305.48	6
2013	102,199.18	7

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

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.

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**

A. General

The Program is subject to the provisions of the P.L. 1997, c. 388, as amended by P.L. 2001, c. 272 and its amendments and pursuant to Sections 457 of the Internal Revenue Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program enacted into federal law in 1997.

B. Description of Program

On February 20, 1999, the District created the Program which is offered to all qualified Fire Department and First Aid Squad members. The Program was created in accordance with Chapter 388 of the Laws of 1997 (N.J.S.A. 40A:14-183, et seq.) and N.J.A.C. 5:30-14.1 et seq., to reward members of the Neptune Fire District, all of whom are volunteer members, for their loyal, diligent and devoted services to the residents of the Township of Neptune.

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

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

B. Description of Program (continued)

If an active member meets the year-of-active-service requirements, the District must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the Consumer Price Index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services issues the permitted maximum annually.

Annually by January 31 of the current year, the First Aid Squads and Fire Department submit a listing of qualified volunteers for the previous year, which are approved by the governing body. After approval, the listing is posted for 30 days at the office of the Board of Fire Commissioners, Firehouses and the First Aid Squads for review by members.

Appeals may be made in writing to the Secretary of the Board of Fire Commissioners within the 10 days of the posting of the approved listing. The District, upon receiving an appeal, and prior to conducting its own investigation, may at its discretion, and within 10 days, refer the matter back to the First Aid Squads and/or Fire Department in an effort to settle the dispute internally. If the appeal and all written documentation is referred back to the First Aid Squads and/or Fire Department and it fails to settle or take action on the issue within 30 days, the District shall then investigate the appeal in accordance with 5:30-14.11(d); additionally, if the appeal is not referred back to the First Aid Squads and/or Fire Department or within 30 days of receiving the unresolved appeal, the District shall investigate the appeal in accordance with 5:30-14.11 (d) and submit a non-binding recommendation to the First Aid Squads and/or Fire Department. The First Aid Squads and/or Fire Department shall either, accept, modify or deny the District's recommendations. The final decision by the First Aid Squads and/or Fire Department shall be subject to appropriate judicial review.

Following the 30 day period for filing an appeal and subject to holding the payment of any members being appealed, payment shall be made by the District to the Lincoln Financial Group ("Contractor") for deposit into the Program account in the deferred income program.

C. Investments

Upon enrollment, the Program participants enter into a Program plan annuity contract with the local Plan Administrator using enrollment forms provided by the Contractor which include various investment options.

Lincoln Financial reports the Program pro rata share of the investment income, consisting of gains and losses on transactions, appreciation or depreciation of the market value of the account investment and interest and dividends, recorded by the investment account maintained by Lincoln Financial.

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 9 LENGTH OF SERVICE AWARD PROGRAM (continued)

C. Investments (continued)

The following presents investments that represent 5 percent or more of the Program's net assets.

	December 31, 2015
Fixed Account	\$ 501,918.25
LVIP SSGA S&P 500 Index Fund	337,346.66

D. Terms of Participation

The Plan Administrator shall have the right to require any active volunteer member at the time of his or her becoming a participant to agree, in writing, to be bound by the terms, covenants and conditions of the Program and accompanying trust. Each participant shall furnish to the Plan Administrator all pertinent information required for the administration of the Program. The Plan Administrator shall rely upon all such information furnished.

E. Vesting

The active volunteer member shall not be permitted to receive a distribution of the fund in his or her Program Account until the completion of a five-year vesting period.

F. Termination of Service

Any participant who terminates service as an active volunteer member shall cease to participate hereunder. A former participant may resume participation immediately upon returning to the service of the emergency service organization as an active volunteer member. Any active volunteer member who terminates service with the emergency service organization, subsequently returns to service and again becomes a participant shall be treated as a new participant for purposes of eligibility unless said participant was fully vested prior to his or her termination from service.

G. Related Party Transactions

Certain Program investments are shares of mutual funds managed by Lincoln Financial Group. Lincoln is the trustee as defined by the Program and, therefore, these transactions qualify as party-in-interest transactions.

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 9 LENGTH OF SERVICE AWARD PROGRAM (continued)

H. Program Termination

Although it has not expressed the intent to do so, the District has the right under the Program to discontinue its contributions at any time and terminate the Program subject to the provisions of ERISA. The trustee also reserves the right to amend, modify, suspend, or terminate the Program permanently or temporarily, at such time as they deem appropriate.

I. Tax Status

The Internal Revenue Service has determined and informed the District by letter that the Program is designed in accordance with applicable sections of the Internal Revenue Code (IRC). Although the Program has been amended since receiving the determination letter, the Program administrator and the Program's tax counsel believe that the Program is designed and is currently being operated in compliance with the applicable requirements of the IRC and therefore believe that the Program is qualified and the related trust is tax exempt. Accounting principles generally accepted in the United States of America require Program management to evaluate tax positions taken by the Program and recognize a tax liability (or asset) if the Program has taken an uncertain position that more likely than not would not be sustained upon examination. The Program administrator has analyzed the tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Program is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

J. Risks and Uncertainties

The Program invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statement of Net Position Available for Benefits.

K. Contributions

During the year ended December 31, 2015, \$87,274.49 was charged to the General Fund budget to fund the LOSAP. Participants do not contribute to the plan.

L. Financial Statements

The financial statements of the LOSAP are included in the Fiduciary Fund Financial statements.

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

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 2015, 2014, and 2013.

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>
2015	\$ 0.00	\$ 1,090.09	\$ 17,670.95	\$ 25,373.90
2014	0.00	760.02	4,235.36	41,954.76
2013	0.00	932.43	18,537.84	45,430.10

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 SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 6, 2016, which is the date the financials were available to be issued.

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 13 RESTATEMENT OF PRIOR PERIOD NET POSITION

As indicated in note 1 to the financial statements, the Fire District adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, for the year ended December 31, 2015. As a result of implementing these two Statements, a restatement of unrestricted net position on the government-wide statement of activities was required to record the Fire District’s proportionate share of its net pension liability. The cumulative effect on the government-wide financial statements as reported for December 31, 2014 is as follows:

Beginning Net Position as Previously Reported at December 31, 2014	\$ 6,565,664.06
Prior Period Adjustment - Implementation of GASBS No. 68 and No. 71:	
Net Pension Liability at June 30, 2014 Measurement Date	\$ (1,358,804.00)
Deferred Outflows of Resources per June 30, 2014 Pension Plan Reports	60,923.00
Deferred Outflows of Resources resulting from Fire District Contribution Subsequent to June 30, 2014 Pension Plan Measurement Date	44,159.00
Accounts Payable resulting from Fire District Contributions Recorded by Pension Plans as Accounts Receivable at June 31, 2014	(78,294.00)
Accrued Expense resulting from Fire District Contribution Subsequent to June 30, 2014 Pension Plan Measurement Date	(44,159.00)
Deferred Inflows of Resources per June 30, 2014 Pension Plan Reports	<u>(385,260.00)</u>
Total Prior Period Adjustment	<u>(1,761,435.00)</u>
Net Position as Restated, December 31, 2014	<u>\$ 4,804,229.06</u>

REQUIRED SUPPLEMENTARY INFORMATION
PART II

BUDGETARY SCHEDULES

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
BUDGET AND ACTUAL - BUDGETARY BASIS

For the Year Ended December 31, 2015

	Adopted Budget	Final Budget	Actual Amounts Budgetary Basis See Note A at C-2	Variance Final To Actual
Fund Balance Utilized:				
Unrestricted Fund Balance	\$ 600,000.00	\$ 600,000.00	\$ 600,000.00	\$ -
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	115,026.26	25,026.26
Penalties and Fines	1,000.00	1,000.00	8,502.00	7,502.00
Amount to be Raised by Taxation	2,324,730.00	2,324,730.00	2,324,730.00	-
Miscellaneous Income	-	-	18,188.22	18,188.22
Total Operating Revenues	<u>2,451,147.00</u>	<u>2,451,147.00</u>	<u>2,501,864.28</u>	<u>50,717.28</u>
Interest Income	-	-	-	-
Total Revenues	<u>3,051,147.00</u>	<u>3,051,147.00</u>	<u>3,101,864.28</u>	<u>50,717.28</u>
Expenditures:				
Administration:				
Salaries and Wages	180,000.00	180,000.00	131,327.24	48,672.76
Fringe Benefits	83,900.00	83,900.00	72,766.55	11,133.45
Election	2,100.00	2,100.00	1,563.51	536.49
Insurance	195,000.00	195,000.00	115,065.00	79,935.00
Office Expenses	38,850.00	37,750.00	29,672.34	8,077.66
Professional Services	120,000.00	120,000.00	109,376.16	10,623.84
Travel	3,000.00	3,000.00	1.50	2,998.50
Fire Prevention	11,000.00	11,000.00	10,893.21	106.79
Office Rental	47,000.00	48,100.00	48,020.81	79.19
Total Administration	<u>680,850.00</u>	<u>680,850.00</u>	<u>518,686.32</u>	<u>162,163.68</u>

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
BUDGET AND ACTUAL - BUDGETARY BASIS

For the Year Ended December 31, 2015

	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	515,400.00	515,400.00	345,043.64	170,356.36
Fringe Benefits	309,034.00	309,034.00	240,889.13	68,144.87
Advertising	1,000.00	1,000.00	867.32	132.68
Building and Grounds Repairs and Maintenance	100,000.00	217,900.00	208,969.14	8,930.86
Vehicle Maintenance and Repair	190,000.00	190,000.00	141,126.87	48,873.13
Lease Charges	77,200.00	39,000.00	39,000.00	-
Supplies and Equipment	84,000.00	84,000.00	44,086.73	39,913.27
Training and Education	16,000.00	16,000.00	12,415.00	3,585.00
Travel Expenses	5,200.00	5,200.00	1,000.00	4,200.00
Utilities	118,500.00	118,500.00	73,108.27	45,391.73
Hydrant Rental	215,500.00	215,500.00	186,331.05	29,168.95
Aid to Volunteer Fire Company	64,000.00	64,000.00	64,000.00	-
Operation and Maintenance of Fire Bureau	17,000.00	17,000.00	15,628.33	1,371.67
Supplemental Fire Services Grant	35,417.00	35,417.00	35,417.00	-
Gear Maintenance	75,000.00	50,000.00	49,274.52	725.48
Facility Maintenance	175,000.00	175,000.00	152,938.00	22,062.00
Uniforms	8,800.00	8,800.00	3,834.16	4,965.84
Dedicated Penalties			-	-
Total Cost of Providing Services	2,007,051.00	2,061,751.00	1,613,929.16	447,821.84
Operating Appropriations Offset with Revenues:				
Salaries and Wages	111,500.00	111,500.00	67,674.66	43,825.34
Fringe Benefits	61,746.00	7,046.00	4,990.10	2,055.90
Total Operating Appropriations Offset with Revenues	173,246.00	118,546.00	72,664.76	45,881.24
Appropriations for First Aid/Rescue Squad Assoc.:				
Materials and Supplies	90,000.00	90,000.00	90,000.00	-

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 BUDGET AND ACTUAL - BUDGETARY BASIS

For the Year Ended December 31, 2015

	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	87,274.49	12,725.51
Total Expenditures	3,051,147.00	3,051,147.00	2,382,554.73	668,592.27
Prior Year Encumbrances Canceled			1,767.50	
Excess of Revenues Over Expenditures	-	-	721,077.05	721,077.05
Fund Balance, January 1	3,163,409.08	3,163,409.08	3,163,409.08	-
	3,163,409.08	3,163,409.08	3,884,486.13	721,077.05
Less: Fund Balance Utilized	600,000.00	600,000.00	600,000.00	-
Fund Balance, December 31	\$ 2,563,409.08	\$ 2,563,409.08	\$ 3,284,486.13	\$ 721,077.05

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

BUDGET -to- GAAP RECONCILIATION

For the Year Ended December 31, 2015

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)	\$ 3,101,864.28
Differences - budget to GAAP:	
The fund balance appropriated is a budgetary resource but is not a current year revenue for financial reporting purposes	<u>(600,000.00)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2)	<u>\$ 2,501,864.28</u>
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule (C-1)	\$ 2,382,554.73
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	5,659.77
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>(1,767.50)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 2,386,447.00</u>

REQUIRED SUPPLEMENTARY INFORMATION
PART III

SCHEDULES RELATED TO ACCOUNTING
AND REPORTING FOR PENSIONS

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
COUNTY OF MONMOUTH, NEW JERSEY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE FIRE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
LAST THREE YEARS

	<u>Measurement Date Ended June 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Fire District's Proportion of the Net Pension Liability	0.0019622398%	0.0014659403%	0.0013941984%
Fire District's Proportionate Share of the Net Pension Liability	\$ 440,484.00	\$ 274,464.00	\$ 266,459.00
Fire District's Covered - Employee Payroll	\$ 110,804.00	\$ 101,368.00	\$ 96,168.00
Fire District's Proportionate Share of the Net Pension Liability as a Percentage of Covered - Employee Payroll	397.53%	270.76%	277.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%

This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
COUNTY OF MONMOUTH, NEW JERSEY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE FIRE DISTRICT'S CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
LAST THREE YEARS

	<u>Year Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Fire District's Contractually Required Contribution	\$ 16,870.00	\$ 12,085.00	\$ 10,505.00
Fire District's Contribution in Relation to the Contractually Required Contribution	<u>(16,870.00)</u>	<u>(12,085.00)</u>	<u>(10,505.00)</u>
Fire District's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fire District's Covered - Employee Payroll	\$ 167,876.00	\$ 129,136.00	\$ 100,568.00
Fire District's Contribution as a Percentage of Covered - Employee Payroll	10.05%	9.36%	10.45%

This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
COUNTY OF MONMOUTH, NEW JERSEY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE FIRE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
POLICE AND FIREMEN'S RETIREMENT SYSTEM
LAST THREE YEARS

	<u>Measurement Date Ended June 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Fire District's Proportion of the Net Pension Liability	0.0087898045%	0.0086201883%	0.0109385189%
Fire District's Proportionate Share of the Net Pension Liability	\$ 1,464,075.00	\$ 1,084,340.00	\$ 1,454,177.00
State's Proportionate Share of the Net Pension Liability associated with the Fire District	<u>128,394.00</u>	<u>116,765.00</u>	<u>135,547.00</u>
Total	<u><u>1,592,469.00</u></u>	<u><u>1,201,105.00</u></u>	<u><u>1,589,724.00</u></u>
Fire District's Covered - Employee Payroll	\$ 278,356.00	\$ 272,268.00	\$ 323,288.00
Fire District's Proportionate Share of the Net Pension Liability as a Percentage of Covered - Employee Payroll	525.97%	398.26%	449.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.31%	62.41%	58.70%

This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
COUNTY OF MONMOUTH, NEW JERSEY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE FIRE DISTRICT'S CONTRIBUTIONS
POLICE AND FIREMEN'S RETIREMENT SYSTEM (PFRS)
LAST THREE YEARS

	<u>Year Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Fire District's Contractually Required Contribution	\$ 71,448.00	\$ 66,209.00	\$ 79,805.00
Fire District's Contribution in Relation to the Contractually Required Contribution	<u>(71,448.00)</u>	<u>(66,209.00)</u>	<u>(79,805.00)</u>
Fire District's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fire District's Covered - Employee Payroll	\$ 228,604.00	\$ 243,621.00	\$ 286,818.00
Fire District's Contribution as a Percentage of Covered - Employee Payroll	31.25%	27.18%	27.82%

This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

TOWNSHIP OF NEPTUNE FIRE DISTRICT NO. 1
COUNTY OF MONMOUTH, NEW JERSEY
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

Public Employees' Retirement System (PERS)

Changes in Benefit Terms - None

Changes in Assumptions - The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015.
The inflation rate changed from 3.01% as of June 30, 2014 to 3.04% as of June 30, 2015.

Police and Firemen's Retirement System (PFRS)

Changes in Benefit Terms - None

Changes in Assumptions - The discount rate changed from 6.32% as of June 30, 2014 to 5.79% as of June 30, 2015.

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, 2015

	<u>Balance</u> <u>Dec. 31, 2014</u>	<u>Increased by</u> <u>Tax Levy</u>	<u>Purchases</u>	<u>Balance</u> <u>Dec. 31, 2015</u>
Purchase of New Trucks :	\$ 123,203.27	\$ 450,000.00	\$ 8,713.58	\$ 564,489.69
Purchase of Vehicles	121,882.32	45,000.00	-	166,882.32
Building Fund	<u>4,000.00</u>	<u>50,000.00</u>	<u>32,747.25</u>	<u>21,252.75</u>
	<u>\$ 249,085.59</u>	<u>\$ 545,000.00</u>	<u>\$ 41,460.83</u>	<u>\$ 752,624.76</u>