

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

**Financial Statements**

**For the year ended December 31, 2014**

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN**  
**Financial Statements**  
**For the year ended December 31, 2014**  
**(With Independent Auditor's Report thereon)**

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Management Discussion and Analysis	5-14
District Wide Statement of Net Position	15
District Wide Statement of Activities	16
Governmental Funds Balance Sheet	17
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance	18-19
Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	20
Notes to Financial Statements	21-35
Budgetary Comparison Schedules	36-37
Long-Term Debt Schedule of Obligations under Capital Leases	38
General Comments and Recommendations	39-40



HOLMAN | FRENIA  
ALLISON, P.C.

Certified Public Accountants & Consultants

680 Hooper Avenue, Bldg B, Suite 201, Toms River, NJ 08753 • Tel: 732.797.1333

618 Stokes Road, Medford, NJ 08055 • Tel: 609.953.0612

912 Highway 33, Suite 2, Freehold, NJ 07728 • Tel: 732.409.0800

795 Canton Street, Troy, PA 16947 • Tel: 570.297.5090

926 Main Street, Suite 103, Rome, PA 18837 • Tel: 570.297.5090

[www.hfacpas.com](http://www.hfacpas.com)

## INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners  
Fire District No. 1 of the Township of Ocean:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 1 of the Township of Ocean, County of Monmouth, State of New Jersey, as of and for the fiscal year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fire District No. 1 of the Township of Ocean, County of Monmouth, State of New Jersey, as of December 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 14 and 36 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fire District No. 1 of the Township of Ocean's basic financial statements. The accompanying comparative totals for December 31, 2013 are presented for purposes of additional analysis and are not a required part of the financial statements. The comparative totals have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2015 on our consideration of the Fire District No. 1 of the Township of Ocean's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

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

March 10, 2015  
Toms River, New Jersey



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

Board of Fire Commissioners  
Fire District No. 1 of the Township of Ocean:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Fire District No. 1 of the Township of Ocean, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Fire District No. 1 of the Township of Ocean's basic financial statements, and have issued our report thereon dated March 10, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Fire District No. 1 of the Township of Ocean's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fire District No. 1 of the Township of Ocean's internal control. Accordingly, we do not express an opinion on the effectiveness of Fire District No. 1 of the Township of Ocean'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 Fire District No. 1 of the Township of Ocean's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs State of New Jersey as finding number 2014-001.

## **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.

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

March 10, 2015  
Toms River, New Jersey

**OCEAN TOWNSHIP FIRE DISTRICT NO. 1  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

As management of Ocean Township Fire District No. 1, we offer readers of the Ocean Fire District No. 1 financial statements this narrative overview and analysis of the financial activities of the Ocean Township Fire District No. 1 for the year ended December 31, 2014. The intent of this narrative is to look at Ocean Township Fire District No. 1's overall financial performance in terms easily understood by the lay person. Please read this in conjunction with the District's financial statements which begin on page 15. Notes to the financial statements will provide the reader with additional useful information and they begin on page 21.

**FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at December 31, 2014 by approximately \$3.18 million. In 2013 the excess was approximately \$3.28 million. This is a decrease of approximately \$101,700.
- During 2014 Ocean Township Fire District No. 1 operated at a deficit of approximately \$101,700. The surplus in 2013 was approximately \$249,300. This is a decrease of approximately \$351,000.
- The Board increased their liabilities in 2014 by approximately \$1,286,600. This was due to executing a lease purchase and receiving it as an advance.
- The Board increased their cash position by approximately \$418,300. This was due to receiving the lease purchase advance.
- The Board's component unit experienced a loss of approximately \$45,200. The unit purchased an ambulance that it contributed to the District. The unit was also able to reduce the payable to the Board by approximately \$10,000.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. Ocean Township Fire District No. 1's basic financial statements are comprised of three components: district-wide financial statements; fund financial statements; and notes to the basic financial statements.

## **Reporting on the District as a Whole**

Our analysis of the District as a whole begins on page 7. District-wide financial statements are provided to give the reader a broad overview of the District's financial position and its financial activity for the year. It is presented in a format similar to the private sector to give the reader a familiar point of reference.

The Statement of Net Position presents information on the assets and liabilities of Ocean Township Fire District No. 1. The difference between the assets and liabilities is reported as the District's net position. Significant increases or decreases in the District's net position can be an indication of the financial health of the District.

The Statement of Activities presents financial information about activities that result in the District's net position increasing or decreasing during the year. Financial activities are recorded when the transactions occur rather than when the cash is received or paid out. As a result, there could be activities that result in cash flow in a future period.

The district-wide financial statements report on the financial data by function. Ocean Township Fire District No. 1 has two basic functions: activities that are supported by property taxes; and activities supported by other governmental activities. Ocean Township Fire District No. 1 provides firefighting services to the citizens of Ocean Township. The District also provides services for the enforcement of the state and local fire codes and fire prevention education.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, Ocean Township Fire District No. 1 uses fund accounting to document compliance with finance-related legal matters. Ocean Township Fire District No. 1 has two types of fund groups, governmental funds and fiduciary funds.

## **Governmental Funds**

Ocean Township Fire District No. 1's activities are reported in governmental funds. These funds record the flow of cash in and out of the District during the period and the balances remaining at year end for future periods. The modified accrual basis of accounting is utilized for reporting purposes. This method of accounting measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services that it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's services.

Ocean Township Fire District No. 1 maintains three separate government funds, the general fund, the special revenue fund, and the capital fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, special revenue fund, and the capital fund.

The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.

As required by N.J.S.A. 40A:14:78-3, Ocean Township Fire District No. 1 adopts an annual budget which is voted on by the legal voters of the district on the third Saturday in February. Budgetary comparison schedules have been prepared to document compliance with budgetary requirements.

### **Fiduciary Funds**

Fiduciary funds are used to account for assets held by the District on behalf of outside third parties, or other funds within the District. There is no fiduciary fund in the District.

### **Notes to Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements are an integral part of the financial statements.

### **DISTRICT-WIDE FINANCIAL ANALYSIS**

Ocean Township Fire District No. 1's net position is a useful indicator of the District's financial condition. At the end of 2014 the District's assets exceeded the liabilities by approximately \$3.18 million. The largest portion of Ocean Township Fire District No. 1's net position (59.2%) is its investment in capital assets. The District uses these assets to provide fire-fighting services to the community; consequently, these assets are not available for future spending. Ocean Township Fire District No. 1's investment in capital assets is reported net of related debt. Since the capital assets are not available to liquidate the debt, other sources must be utilized for the repayment of the debt. The District increased its cash position by approximately \$418,300, total liabilities increased by approximately \$1,286,600.

**Statement of Net Position**

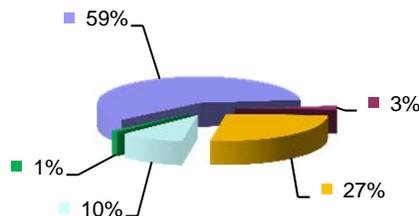
OCEAN TOWNSHIP FIRE DISTRICT NO. 2  
NET POSITION  
DECEMBER 31, 2014

	2014	2013	\$ Increase (Decrease)	% Increase (Decrease)
Current and Other Assets	\$2,052,990	\$1,634,999	+417,991	+25.6%
Capital Assets	<u>2,578,263</u>	<u>1,811,425</u>	+766,838	+42.3%
Total Assets	4,631,253	3,446,424	+1,184,829	+34.4%
Total Liabilities	<u>( 1,452,580)</u>	<u>( 166,022)</u>	+1,286,558	+774.9%
Net Position	<u>\$3,178,673</u>	<u>\$3,280,402</u>	(101,729)	(3.1%)

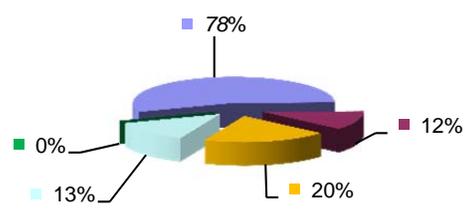
**Analysis of Net Position**

Invested in Capital Assets Net of Related Debt	\$1,882,763	\$1,811,425	+71,338	+3.94%
Restricted for Capital Projects	73,660	384,401	(310,741)	(80.8%)
Restricted for Subsequent Period	100,000	230,000	(130,000)	(56.5%)
Restricted for Other Purposes	37,810	1,554	+36,256	+2333.1%
Unrestricted for Subsequent Period	225,000	196,000	+29,000	+14.8%
Unrestricted	<u>859,440</u>	<u>657,022</u>	202,418	30.8%
Total Net Position	<u>\$3,178,673</u>	<u>\$3,280,402</u>	(101,729)	(3.1%)

**2014 Net Position**



**2013 Net Position**



■ Invested in Net Assets  
■ Capital Projects  
■ Unrestricted  
■ Designated  
■ Restricted - Other

■ Invested in Net Assets  
■ Capital Projects  
■ Unrestricted  
■ Designated  
■ Restricted - Other

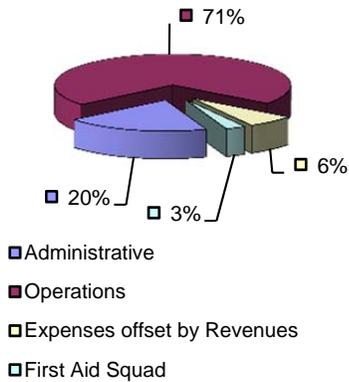
The net position of Ocean Township Fire District No. 1 decreased approximately \$101,700 during the 2014 period. This increase was due primarily to the District's operating at a deficit for the year. Other major changes in net position at December 31, 2014 were an approximate \$766,800 increase in capital assets, an increase in liabilities of approximately \$1,286,600, and an approximate \$418,300 increase in cash funds.

### Governmental Activities

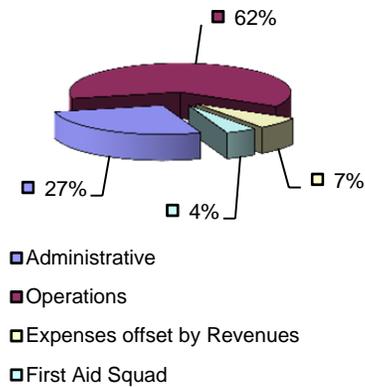
The Statement of Activities shows the cost of the governmental activities program services and the charges for services and grants offsetting these costs. A summary of these activities follows:

	2014	2013	\$ Increase (Decrease)	% Increase (Decrease)
Expenses				
Program Expenses				
Administrative Expenses	\$ 385,578	\$ 394,296	(8,718)	(2.2%)
Cost of Operations & Maintenance	1,401,850	903,297	+498,553	+55.2%
Operating Appropriations Offset With Revenues	128,185	97,782	+30,403	+31.1%
Appropriations for First Aid Squad	<u>52,955</u>	<u>65,334</u>	(12,379)	(18.9%)
Total Program Expenses	1,968,568	1,460,709	+507,859	+34.8%

2014 Program Expenses

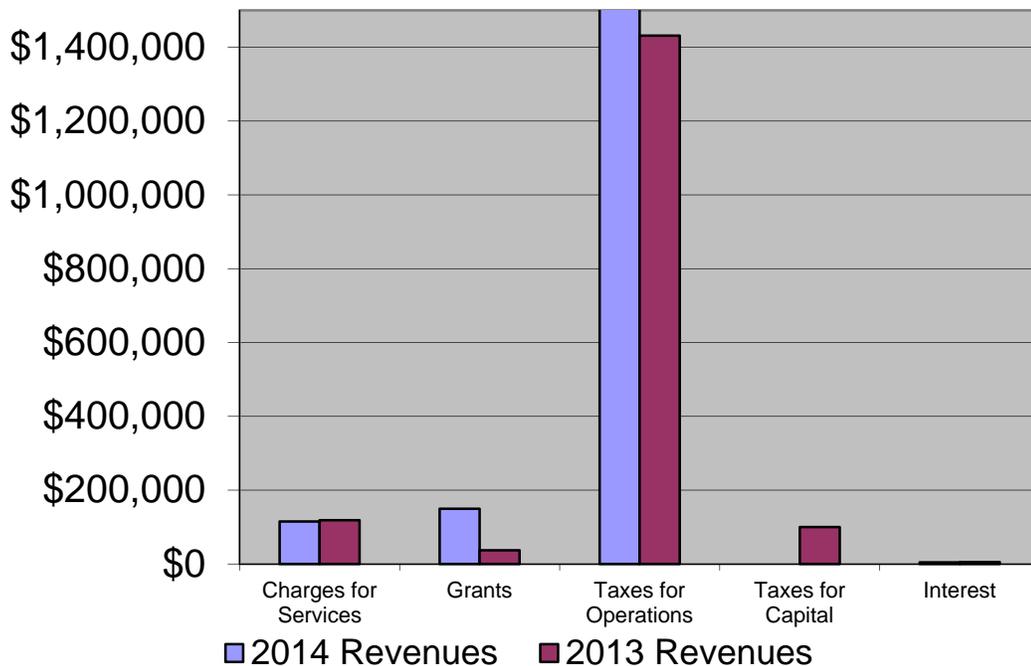


2013 Program Expenses



	2014	2013	\$ Increase (Decrease)	% Increase (Decrease)
<b>Program Revenues</b>				
Charges for Services	114,965	118,371	(3,406)	(2.9%)
Operating Grants & Contributions	<u>149,228</u>	<u>36,797</u>	+112,431	+305.5%
Net Program Expenses	<u>1,704,375</u>	<u>1,305,541</u>	+398,834	+30.5%
<b>General Revenues</b>				
Property Taxes Levied for General Purposes	1,572,850	1,431,631	+141,219	+9.9%
Property Taxes Levied for Future Capital Purchases	- 0 -	100,000	(100,000)	(100.0%)
Unrestricted Investment Earnings	4,037	5,006	(969)	(19.4%)
Miscellaneous Income	<u>25,759</u>	<u>18,187</u>	+7,572	+41.6%
Total General Revenues	<u>1,602,646</u>	<u>1,554,824</u>	+47,822	+3.1%
Increase (Decrease) in Net Position	(101,729)	249,283	(351,012)	(140.8%)
Prior Period Adjustment	- 0 -	14,681	(14,681)	(100.0%)
Net Position, January 1	<u>3,280,402</u>	<u>3,031,119</u>	+249,283	+8.2%
Net Position, December 31	<u>\$3,178,673</u>	<u>\$3,280,402</u>	(101,729)	(3.1%)

## Revenues



Property tax revenue constituted 85% of the total governmental activities revenues received by Ocean Township Fire District No. 1 in 2014. In 2013 the property tax revenue constituted 90% of total revenues.

The Cost of Operations & Maintenance was 80% and 73% of the District's total expenses in 2014 and 2013 respectively. Administration expenses equaled 20% of the total expenses in 2014 and 27% in 2013.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS**

Ocean Township Fire District No. 1 uses fund accounting to document compliance with finance-related legal requirements.

### **Government Fund**

The primary objective of the District's governmental funds is to report on cash flows in and out during the period and the ending balances of the spendable resources. This information is useful to evaluate the performance of the District and to assess its future needs and available resources.

As of December 31, 2014, the combined cash balance of the governmental funds of Ocean Township Fire District No. 1 was approximately \$1,883,500. This balance is approximately \$418,300 higher than last year's combined governmental funds balance. The increase is due primarily to receiving the cash proceeds of a lease purchase agreement.

The combined balance of the governmental funds of Ocean Township Fire District No. 1 was approximately \$1,282,500. Unassigned fund balance amounted to approximately \$846,100 of that total. General funds have been designated for utilization in the 2015 budget in the amount of \$225,000.

The general fund is the main operating fund of Ocean Township Fire District No. 1. At the end of 2014, the total fund balance of the general fund was approximately \$1,071,100. Of this balance, approximately \$846,100 was unassigned.

During 2014 the general fund balance of Ocean Township Fire District No. 1 increased by approximately \$311,300. The primary reasons for this increase are as follows:

- The Board had revenues in excess of appropriations in the amount of approximately \$386,300.
- The Board relieved Oakhurst EMS of \$75,000 of their payable to the Board.

At the end of 2014, the District had a capital projects fund balance of approximately \$211,500. This balance decreased from 2013 by approximately \$502,900. The major changes in this fund balance were:

- Total capital expenditures of \$611,900.
- Proceeds from a capital lease of approximately \$259,000.
- Transfer of \$150,000 to the Debt Service Fund.

### **General Fund Budgetary Highlights**

The Board assumes the responsibilities of the Uniform Fire Safety Act (UFSA) in the District. UFSA revenues are a factor of enforcement. The fees charged in 2014 were approximately 6% of the operating revenues.

The 2014 Budget as submitted to the voters reflected utilization of \$196,000 of accumulated surplus from the General Fund, and \$230,000 from the Capital Fund. The Board did not need to utilize all of the General Funds, but utilized all the Capital Funds for future purchases. Unused surplus is available for future budget periods as undesignated surplus in the General Fund.

The District had total budgeted revenues in excess of actual revenues of approximately \$151,400 in 2014. The Board expects to have a minor excess in 2015.

Overall, the District spent approximately \$485,600 less for operations than originally anticipated in the budget for 2014.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

As of December 31, 2014 Ocean Township Fire District No. 1 had invested in capital assets for government activities approximately \$2,578,300 (net of accumulated depreciation). Capital assets consist of firehouse improvements, fire apparatus, fire equipment, and office equipment. They purchased approximately \$371,600 of equipment in 2014, and removed approximately \$40,200 in equipment from service. They also expended approximately \$611,100 for projects in progress.

OCEAN TOWNSHIP FIRE DISTRICT NO. 1  
 CAPITAL ASSETS  
 (NET OF ACCUMULATED DEPRECIATION)  
 DECEMBER 31, 2014

	2014	2013	Change
Firehouse & Land	\$2,289,528	\$2,265,672	+23,856
Vehicles & Apparatus	2,214,160	1,966,839	+247,321
Firematic Equipment	879,027	816,130	+62,897
Office Furnishings	<u>48,791</u>	<u>51,543</u>	(2,752)
 Total Capital Assets	 5,431,506	 5,100,184	 +331,322
 Accumulated Depreciation	 (3,464,385)	 (3,288,759)	 +175,626
 Apparatus in Progress	 261,093	 - 0 -	 +261,093
Construction in Progress	<u>350,049</u>	<u>- 0 -</u>	+350,049
 Capital Assets – net	 <u>\$2,578,263</u>	 <u>\$1,811,425</u>	 +766,838

Additional information on Ocean Township Fire District No. 1’s capital assets can be found in Note 4 in the notes to the financial statements.

**Long-Term Obligations**

Ocean Township Fire District No. 1 entered into a lease purchase in 2014 to purchase fire apparatus for \$842,974. The lease is for seven years. A first payment was made in 2014.

**ECONOMIC FACTORS AND NEXT YEARS BUDGET**

In 2014, Ocean Township Fire District No. 1 was able to cover all its appropriations through the fire tax levy and other revenues. In 2014 the fire tax levy amounted to 85% of total revenue collected.

Ocean Township Fire District No. 1 adopted their 2015 budget on January 5, 2015. The voters subsequently approved the budget at the February election. The 2015 budget reflects an increase in the tax levy of \$83,844. The Board anticipates no significant change in the fire tax rate. It is projected that a family with a home assessed at \$250,000 will pay approximately \$138 in 2015 for fire protection.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Ocean Township Fire District No. 1's finances for all of those with an interest in the District's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Dave Hiers, Ocean Township Fire District No. 1, 72 Larkin Place, Oakhurst, New Jersey, 07755.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN**  
**Statement of Net Position**  
**December 31, 2014**

	<u>Primary Government</u> <u>Governmental Activities</u>	<u>Component</u> <u>Unit</u>
	<u>2014</u>	<u>2014</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 1,883,458	\$ 38,331
Due from others	2,830	101,859
Prepaid expenses	28,486	-
Due from Oakhurst EMS Inc.	138,216	-
Total current assets	<u>2,052,990</u>	<u>140,190</u>
Fixed assets (net of depreciation)	<u>2,578,263</u>	<u>801</u>
Total assets	<u>4,631,253</u>	<u>140,991</u>
Liabilities:		
Current liabilities:		
Accounts payable	145,476	5,711
Accrued interest	5,711	-
Accrued expenses	12,502	4,851
Contract payable	583,985	-
Capital lease payable	112,478	-
Due to Fire District No. 1 of the Township of Ocean	-	138,216
Total current liabilities	<u>860,152</u>	<u>148,778</u>
Non-current liabilities:		
Capital lease payable	583,022	-
Compensated absences	9,406	-
Total non-current liabilities	<u>592,428</u>	<u>-</u>
Total liabilities	<u>1,452,580</u>	<u>148,778</u>
Net position:		
Net investments in capital assets	1,882,763	801
Restricted:		
Other purposes	37,810	-
Capital	73,660	-
For subsequent year's expenditures - Capital	100,000	-
Unrestricted:		
Undesignated	859,440	(8,588)
For subsequent year's expenditures	225,000	-
Total net position	<u>\$ 3,178,673</u>	<u>\$ (7,787)</u>

The accompanying notes are an integral part of the financial statements.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN**  
**Statement of Activities**  
**For the year ended December 31, 2014**

	<b>Primary Government</b>		<b>Governmental Activities</b>	<b>Component</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Total 2014</b>	<b>Unit 2014</b>
Government activities:				
Operation appropriations:				
Administration	\$ 385,578	\$ -	\$ 385,578	\$ 26,685
Costs of operations and maintenance	1,401,850	114,965	1,286,885	338,173
Operating appropriations offset with revenues	128,185	-	128,185	-
Appropriations for first aid squad	52,955	-	52,955	-
Total government activities	<u>1,968,568</u>	<u>114,965</u>	<u>1,853,603</u>	<u>364,858</u>
General revenues:				
Miscellaneous revenue			29,796	319,690
Operating grant revenues			149,228	-
Amount raised by taxation			<u>1,572,850</u>	<u>-</u>
Total general revenues			<u>1,751,874</u>	<u>319,690</u>
Excess of revenues over expenditures			(101,729)	(45,168)
Net position, January 1			<u>3,280,402</u>	<u>37,381</u>
Net position, December 31			<u>\$ 3,178,673</u>	<u>\$ (7,787)</u>

The accompanying notes are an integral part of the financial statements.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2014**  
(With comparative totals for December 31, 2013)

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>	
				<u>December 31, 2014</u>	<u>(Memorandum Only) December 31, 2013</u>
<b>Assets:</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 1,299,473	\$ 583,985	\$ -	\$ 1,883,458	\$ 1,465,141
Other receivables	-	320,198	-	320,198	-
Due from others	2,830	-	-	2,830	6,429
Due from Oakhurst EMS Inc.	138,216	-	-	138,216	147,903
<b>Total assets</b>	<b>1,440,519</b>	<b>904,183</b>	<b>-</b>	<b>2,344,702</b>	<b>1,619,473</b>
<b>Liabilities, equity and other credits:</b>					
Accounts payable	36,748	108,728	-	145,476	62,444
Accrued expenses	12,502	-	-	12,502	12,500
Contract payable	-	583,985	-	583,985	70,380
Other payable	320,198	-	-	320,198	-
<b>Total liabilities</b>	<b>369,448</b>	<b>692,713</b>	<b>-</b>	<b>1,062,161</b>	<b>145,324</b>
<b>Fund balances:</b>					
<b>Restricted for:</b>					
Capital	-	73,660	-	73,660	384,401
For subsequent year's expenditures - Capital	-	100,000	-	100,000	230,000
<b>Assigned for:</b>					
Capital - down payment for apparatus	-	-	-	-	100,000
For subsequent year's expenditures	225,000	-	-	225,000	196,000
Other purposes	-	37,810	-	37,810	1,554
<b>Unassigned, reported in:</b>					
General fund	846,071	-	-	846,071	562,194
<b>Total fund balance</b>	<b>1,071,071</b>	<b>211,470</b>	<b>-</b>	<b>1,282,541</b>	<b>1,474,149</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,440,519</b>	<b>\$ 904,183</b>			
Amounts reported for governmental activities in the statement of net position (A-1) are different because:					
Prepaid insurance is reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is expensed over the term of the policy as insurance expense.				28,486	15,526
Accrued interest not recorded in current financial statements.				(5,711)	-
Long-term liabilities are not due and payable in the current period and are therefore not reported as liabilities in the funds.				(704,906)	(20,698)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$6,042,648 and the accumulated depreciation is \$3,464,385.				2,578,263	1,811,425
<b>Net position of governmental activities</b>				<b>\$ 3,178,673</b>	<b>\$ 3,280,402</b>

The accompanying notes are an integral part of the financial statements.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the year ended December 31, 2014**  
**(With comparative totals for the year ended December 31, 2013)**

				<b>Totals</b>	
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Debt Service Fund</b>	<b>December 31, 2014</b>	<b>(Memorandum Only) December 31, 2013</b>
<b>Revenues:</b>					
Miscellaneous anticipated revenue:					
Sale of assets	\$ 2,800	\$ -	\$ -	\$ 2,800	\$ 12,898
Investment income	4,037	-	-	4,037	5,006
Shared services revenue	2,959	-	-	2,959	3,964
Other revenue	20,000	-	-	20,000	1,325
Total miscellaneous revenues	<u>29,796</u>	<u>-</u>	<u>-</u>	<u>29,796</u>	<u>23,193</u>
Operating grant revenues:					
Supplemental fire service act	6,101	-	-	6,101	6,101
Other grants and entitlements	143,127	-	-	143,127	30,696
Total operating grant revenue	<u>149,228</u>	<u>-</u>	<u>-</u>	<u>149,228</u>	<u>36,797</u>
Miscellaneous revenues offset with appropriations:					
Uniform fire safety act revenues:					
Annual registration fee	27,862	-	-	27,862	28,684
Penalties and fines	38,117	-	-	38,117	40,691
Other revenues	48,986	-	-	48,986	48,996
Total uniform fire safety act revenues	<u>114,965</u>	<u>-</u>	<u>-</u>	<u>114,965</u>	<u>118,371</u>
Total revenues	<u>293,989</u>	<u>-</u>	<u>-</u>	<u>293,989</u>	<u>178,361</u>
Amount raised by taxation to support district budget					
Total anticipated revenues	<u>1,572,850</u>	<u>-</u>	<u>-</u>	<u>1,572,850</u>	<u>1,531,631</u>
<b>Expenditures:</b>					
Operating appropriations:					
Administration:					
Salaries and wages	188,984	-	-	188,984	204,631
Fringe benefits	115,465	-	-	115,465	112,726
Other expenditures:					
Elections	1,201	-	-	1,201	1,149
Insurance	250	-	-	250	250
Memberships and subscriptions	4,447	-	-	4,447	2,484
Office expenses	13,220	-	-	13,220	21,173
Professional fees	53,636	-	-	53,636	43,015
Travel expenses	19,667	-	-	19,667	15,748
Total administration	<u>396,870</u>	<u>-</u>	<u>-</u>	<u>396,870</u>	<u>401,176</u>

The accompanying notes are an integral part of the financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the year ended December 31, 2014  
(With comparative totals for the year ended December 31, 2013)

	Totals				
	General Fund	Capital Projects Fund	Debt Service Fund	December 31, 2014	(Memorandum Only) December 31, 2013
Cost of operations and maintenance:					
Salaries and wages	61,463	-	-	61,463	64,478
Fringe benefits	90,504	-	-	90,504	79,487
Other expenditures:					
Advertising	1,579	-	-	1,579	835
Insurance	43,056	-	-	43,056	42,195
Maintenance and repairs	119,787	-	-	119,787	132,029
Memberships and dues	1,306	-	-	1,306	3,250
Professional fees - district doctor	1,500	-	-	1,500	4,785
Rental charges	171,958	-	-	171,958	171,086
Operating materials and supplies	38,165	-	-	38,165	38,181
Training and education	15,848	-	-	15,848	7,564
Travel expenses	15,489	-	-	15,489	13,496
Utilities	57,193	-	-	57,193	49,539
Permits, licenses, fees and registrations	230	-	-	230	1,038
Outside services	27,145	-	-	27,145	27,451
Promotion	6,952	-	-	6,952	4,017
Reimbursement for expense/loss	17,415	-	-	17,415	20,330
Uniforms	25,255	-	-	25,255	17,295
Equipment	131,180	-	-	131,180	259,058
Supplemental fire service equipment	6,101	-	-	6,101	-
Non-bondable assets	70,380	-	-	70,380	-
Total cost of operations and maintenance	902,506	-	-	902,506	936,114
Operating appropriations offset with revenues:					
Salaries and wages	86,833	-	-	86,833	59,457
Fringe benefits	35,243	-	-	35,243	34,650
Other expenditures	6,109	-	-	6,109	3,675
Total operating appropriations offset with revenues	128,185	-	-	128,185	97,782
Appropriations for first aid squad	52,955	-	-	52,955	65,334
Total operating appropriations	1,480,516	-	-	1,480,516	1,500,406
Capital expenditures:					
Repave parking lot	-	350,049	-	350,049	175
Fire apparatus	-	261,093	-	261,093	57,055
Radio room improvements	-	778	-	778	45,320
Total capital expenditures	-	611,920	-	611,920	102,550
Debt service for capital appropriations:					
Capital leases	-	-	147,475	147,475	-
Interest on capital leases	-	-	2,525	2,525	-
Total debt service for capital appropriations	-	-	150,000	150,000	-
Total governmental expenditures	1,480,516	611,920	150,000	2,242,436	1,602,956
Other financing sources and uses:					
Local share of grant	-	-	-	-	(3,209)
Proceeds from capital lease	-	258,989	-	258,989	-
Relief of Oakhurst EMS receivables	(75,000)	-	-	(75,000)	-
Transfer of funds	-	(150,000)	150,000	-	-
Total other financing sources and uses	(75,000)	108,989	150,000	183,989	(3,209)
Excess of revenues over expenditures	311,323	(502,931)	-	(191,608)	103,827
Fund balance, January 1	759,748	714,401	-	1,474,149	1,370,322
Fund balance, December 31	\$ 1,071,071	\$ 211,470	\$ -	\$ 1,282,541	\$ 1,474,149

The accompanying notes are an integral part of the financial statements.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures and Changes in Fund Balance in**  
**the Governmental Funds to the Statement of Activities**  
**December 31, 2014**

		<u>General Fund</u>																																	
Total net changes in Fund Balance-Governmental Funds (B-2)	\$	(191,608)																																	
<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, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p> <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 60%;">Capital Outlays - General Fund</td> <td style="width: 20%; text-align: right;">371,553</td> <td></td> </tr> <tr> <td>Capital Outlays - Capital Projects Fund</td> <td style="text-align: right;">611,142</td> <td></td> </tr> <tr> <td>Depreciation Expense</td> <td style="text-align: right;"><u>(215,857)</u></td> <td style="text-align: right;">766,838</td> </tr> </table> <p>Prepaid insurance is reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is expensed over the term of the policy as insurance expense.</p> <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 60%;">Prior year</td> <td style="width: 20%; text-align: right;">(15,526)</td> <td></td> </tr> <tr> <td>Current year</td> <td style="text-align: right;"><u>28,486</u></td> <td style="text-align: right;">12,960</td> </tr> </table> <p>Accrual of interest on capital leases is not an expenditure in the governmental funds, but the adjustment is charged to expense and is reported in the statement of activities.</p> <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 60%;">Prior year</td> <td style="width: 20%; text-align: right;">-</td> <td></td> </tr> <tr> <td>Current year</td> <td style="text-align: right;"><u>(5,711)</u></td> <td style="text-align: right;"><u>(5,711)</u></td> </tr> </table> <p>Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.</p> <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 60%;"></td> <td style="width: 20%;"></td> <td style="text-align: right;">147,475</td> </tr> </table> <p>The proceeds from the issuance of capital leases provide current financial resources and are reported in this fund financial statement, but they are presented as liabilities in the statement of net assets.</p> <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 60%;"></td> <td style="width: 20%;"></td> <td style="text-align: right;">(842,975)</td> </tr> </table> <p>In the statement of activities, certain operating expenses, e.g., compensated absences (sick leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used, essentially, the amounts actually paid. This year, the decrease in sick leave paid was \$11,292.</p> <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 60%;"></td> <td style="width: 20%;"></td> <td style="text-align: right;"><u>11,292</u></td> </tr> </table> <p>Changes in net position of governmental activities</p> <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 60%;"></td> <td style="width: 20%;"></td> <td style="text-align: right;"><u><u>\$ (101,729)</u></u></td> </tr> </table>			Capital Outlays - General Fund	371,553		Capital Outlays - Capital Projects Fund	611,142		Depreciation Expense	<u>(215,857)</u>	766,838	Prior year	(15,526)		Current year	<u>28,486</u>	12,960	Prior year	-		Current year	<u>(5,711)</u>	<u>(5,711)</u>			147,475			(842,975)			<u>11,292</u>			<u><u>\$ (101,729)</u></u>
Capital Outlays - General Fund	371,553																																		
Capital Outlays - Capital Projects Fund	611,142																																		
Depreciation Expense	<u>(215,857)</u>	766,838																																	
Prior year	(15,526)																																		
Current year	<u>28,486</u>	12,960																																	
Prior year	-																																		
Current year	<u>(5,711)</u>	<u>(5,711)</u>																																	
		147,475																																	
		(842,975)																																	
		<u>11,292</u>																																	
		<u><u>\$ (101,729)</u></u>																																	

The accompanying notes are an integral part of the financial statements.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements**  
**For the year ended December 31, 2014**

**NOTE 1: GENERAL INFORMATION**

**A. Description of Reporting Entity**

Fire District No. 1 of the Township of Ocean is a political subdivision of the Township of Ocean, County of Monmouth, State of 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 the *N.J.S.A. 40A: 14-70* et al. and are taxing authorities charged with the responsibility of providing the resources necessary to provide fire fighting services to the residents within its territorial location.

Fire District No. 1 of the Township of Ocean is not a component unit of any other financial reporting entity. The Fire District does have one component unit that is presented in accordance with Governmental Accounting Standards Board Statement No. 14. See Note 11.

**B. District Officials**

The District is governed by a board of five commissioners. The following were in office at December 31, 2014:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
Scott A. Nelson	2017
James D. Hiers	2015
Thomas C. Reu	2016
Russell E. Williams	2016
Stuart A. Newman	2015

**C. Accounting Records**

The official accounting records of the Fire District are maintained in the office of Fire District No. 1 of the Township of Ocean.

**D. Minutes**

Minutes were recorded for meetings and contained approvals for disbursements.

**E. Component Units**

The primary criterion for including activities within the District’s reporting entity, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is whether:

- ◆ the organization is legally separate (can sue or be sued in their own name)
- ◆ the District holds the corporate powers of the organization
- ◆ the District appoints a voting majority of the organization’s board

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**NOTE 1: GENERAL INFORMATION (continued)**

**E. Component Units (continued)**

- ◆ the District is able to impose its will on the organization
- ◆ the organization has the potential to impose a financial benefit/burden on the District
- ◆ there is a fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has a component unit. See Note 11 for additional information.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements of the Fire District conform to generally accepted accounting principles (GAAP) applicable to governmental funds of state and local governments in accordance with the provisions of N.J.A.C. 5:31-7-1. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

The basic financial statements report using the economic resources measurement focus and the accrual basis of accounting generally includes the reclassification or elimination of internal activity (between or within funds). Fiduciary fund financial statements also report using the same focus. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. The tax revenues are recognized in the year for which they are levied (see Note 2 O) while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon thereafter, within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

**B. Fund Accounting**

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

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

**B. Fund Accounting (continued)**

**Governmental Funds:**

**General Fund** - The General Fund is the general operating fund of the Fire District and is used to account for the inflows and outflows of financial resources. The acquisition of certain capital assets, such as fire fighting apparatus and equipment, is accounted for in the General Fund when it is responsible for the financing of such expenditures.

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

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

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

*District Wide Financial Statements*

The district-wide financial statements (A-1 and A-2) report information of all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these district-wide statements. District activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Individual funds are not displayed but the statements distinguish governmental activities as generally supported through taxes and user fees.

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

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

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units. However, the fiduciary funds are

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

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

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

not included in the district-wide statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

*Fund Financial Statements*

The fund financial statements provide detail of the governmental and fiduciary funds.

**D. Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and private purpose trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net position.

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, private purpose trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

In its accounting and financial reporting, the Fire District No. 1 of the Township of Ocean follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Fire District No. 1 of the Township of Ocean's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

**E. Budgets and Budgetary Accounting**

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

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

**E. Budgets and Budgetary Accounting (continued)**

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

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

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

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

**F. Encumbrances**

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances, other than in the special revenue fund, are reported as reservations of fund balances at year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current year-end. The encumbrance at December 31, 2014 totaled \$37,810.

**G. Cash, Cash Equivalents and Investments**

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

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

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

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

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

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

**H. Inventories and Prepaid Expenses**

Inventories and prepaid expenses, which benefit future periods, are recorded as an expenditure during the year of purchase.

**I. Debt Limitation**

*N.J.S.A.40A:14-85* governs procedures for the issuance of any debt related to capital purchases. In summary, Fire Districts may purchase fire fighting apparatus and equipment and land and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or 2 percent of the assessed valuation of property, whichever is larger.

**J. Capital Assets**

Capital assets, which include land, building, improvements, and equipment, are reported in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. The District has set capitalization thresholds for reporting capital assets of \$2,000.

Depreciation is recorded on the straight-line method (with no depreciation applied to the first year of acquisition) over the useful lives of the assets as follows:

Building and Improvements	5 to 40 Years
Machinery & Equipment	5 to 10 Years
Vehicles	5 to 20 Years
Office Furniture and equipment	5 Years

**K. Inventory, Materials and Supplies**

The inventory on hand at any time is small. Accordingly, purchases are charged directly to fixed assets or to maintenance costs, as applicable.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

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

**L. Interfund Receivable/Payable**

Interfund receivables and payables that arise from transactions between funds that are due within one year are recorded by all funds affected by such transactions in the periods in which the transaction is executed.

**M. Compensated Absences**

Fire District employees are entitled to sick leave. Unused sick leave may be accumulated up to a maximum of 720 hours and may be carried forward to subsequent years. Upon termination of employment for any reason, an employee shall be paid for accrued, unused sick time, up to 240 hours. Benefits paid in any future year will be calculated according to formulas outlined in the Fire District's agreement with the employee's union and included in the current year's budget.

The liability for vested compensated absences is recorded as a non-current liability in the governmental activities fund. The current portion of the compensated absence balance is not considered material to the applicable fund's total liabilities, and is therefore not shown separately from the long-term liability balance of compensated absences.

**N. Revenues and Expenditures**

Revenues are recorded when they are determined to be both available and measurable. Generally, fees and other non-tax revenues are recognized when qualifying expenditures are incurred.

Expenditures are recorded when the related liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

**O. Fire District Taxes**

Upon proper certification to the assessor of the municipality in which the Fire District is located, the assessor shall assess the amount of taxes to be realized in support of the Fire District's budget in the same manner as all other municipal taxes. The collector or treasurer of the municipality shall then pay over to the treasurer or custodian of funds of the Fire District the taxes assessed in accordance with the following schedule: on or before April 1, an amount equaling 21.25% of all monies assessed, on or before July 1, an amount equaling 22.5% of all monies assessed, on or before October 1, an amount equaling 25% of all monies assessed and on or before December 31 an amount equal to the difference between the total of all monies assessed and the total of monies previously paid over.

**P. Fund Equity**

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Fire District No. 1 of the Township of Ocean classifies governmental fund balances as follows:

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

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

**P. Fund Equity (continued)**

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by external parties, constitutional provision or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Business Administrator.
- Unassigned – includes balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds

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

**Q. Net Position**

Net position, represents the difference between summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified in the following three components:

- Net Investment in Capital Assets – This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

**R. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

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

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

Recently Issued and Adopted Accounting Pronouncements

In March 2012, the GASB issued Statement 66, *Technical Corrections—2012*—an amendment of GASB Statements No. 10 and No. 62. GASB 66 improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement is effective for periods beginning after December 15, 2012 although the District elected to early implement Statement 62 in fiscal year 2012. The adoption of GASB 66 does not have any impact on the District’s financial statements.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012. The adoption of GASB 65 does not have any impact on the District’s financial statements.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27*. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District’s financial statements.

**T. Subsequent Events**

Fire District No. 1 of the Township of Ocean has evaluated subsequent events occurring after December 31, 2014 through the date of March 10, 2015, which is the date the financial statements were available to be issued.

**NOTE 3: CASH AND CASH EQUIVALENTS**

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

**Deposits:**

Demand deposits	<u>\$ 1,883,458</u>
Total deposits	<u>\$ 1,883,458</u>

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**NOTE 3: CASH AND CASH EQUIVALENTS (continued)**

**Reconciliation to Governmental Fund Statements:**

Governmental Funds	\$ 1,883,458
Total	<u>\$ 1,883,458</u>

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2014, the District's bank balance of \$1,890,281 was insured or collateralized as follows:

Insured	\$ 605,891
Collateralized in the District's name under GUDPA	<u>1,284,390</u>
Total	<u>\$ 1,890,281</u>

**NOTE 4: FIXED ASSETS**

N.J.S.A. 40A: 14-84 governs the procedures for the acquisition of property and equipment for the Fire Districts, and the N.J.S.A. 40A: 14-85-87 governs procedures for the issuance of any debt related to such purchases. In summary, Fire Districts may purchase firefighting apparatus, equipment, land, and buildings to house such property in an amount not exceeding five mills on the dollar of the least assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or two percent of the assessed valuation of property, whichever is larger.

Fixed assets consisted of the following at December 31, 2014:

<b>Governmental Activities:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions/ Adjustments</b>	<b>Ending Balance</b>
Capital assets that are not being depreciated:				
Land	\$ 108,249	\$ -	\$ -	\$ 108,249
Apparatus in progress	-	261,093	-	261,093
Construction in progress	-	350,049	-	<u>350,049</u>
Total capital assets not being depreciated	<u>108,249</u>	<u>611,142</u>	-	<u>719,391</u>
Building and improvements	2,157,423	23,856	-	2,181,279
Machinery and equipment	816,130	86,280	(23,383)	879,027
Office furniture and equipment	51,543	-	(2,752)	48,791
Vehicles	1,966,839	261,417	(14,096)	<u>2,214,160</u>
Totals at historical cost	<u>5,100,184</u>	<u>982,695</u>	<u>(40,231)</u>	<u>6,042,648</u>

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**NOTE 4: FIXED ASSETS (continued)**

Less accumulated depreciation:				
Building and improvements	(1,258,373)	(54,850)	-	(1,313,223)
Machinery and equipment	(538,816)	(74,395)	23,383	(589,828)
Office furniture and equipment	(39,783)	(5,825)	2,752	(42,856)
Vehicles	(1,451,787)	(80,787)	14,096	(1,518,478)
	<u>(3,288,759)</u>	<u>(215,857)</u>	<u>40,231</u>	<u>(3,464,385)</u>
 Governmental-type activities capital assets, net	 <u>\$ 1,811,425</u>	 <u>\$ 766,838</u>	 <u>\$ -</u>	 <u>\$ 2,578,263</u>

**NOTE 5: NONCURRENT LIABILITIES**

During the fiscal year ended December 31, 2014 the following changes occurred in liabilities reported in long-term debt:

	<u>Balance</u> <u>12/31/13</u>	<u>Accrued/</u> <u>increases</u>	<u>Retired/</u> <u>decreases</u>	<u>Balance</u> <u>12/31/14</u>	<u>Due within</u> <u>one year</u>
Capital lease payable	\$ -	\$ 842,974	\$ 147,475	\$ 695,499	\$ 112,478
Compensated absences	<u>20,698</u>	<u>-</u>	<u>11,292</u>	<u>9,406</u>	<u>-</u>
Total	<u>\$ 20,698</u>	<u>\$ 842,974</u>	<u>\$ 158,767</u>	<u>\$ 704,905</u>	<u>\$ 112,478</u>

**Capital Lease Payable**

On May 20, 2014, the District entered into a lease purchase agreement in the amount of \$842,974 and an interest rate of 1.768% to finance the purchase of a Quint fire truck. The outstanding principal and interest is due is as follows:

<u>Year-ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 112,478	\$ 10,383	\$ 122,861
2016	112,553	10,308	122,861
2017	114,543	8,318	122,861
2018	116,569	6,292	122,861
2019	118,629	4,232	122,861
2020	<u>120,728</u>	<u>2,133</u>	<u>122,861</u>
Total	<u>\$ 695,500</u>	<u>\$ 41,666</u>	<u>\$ 737,166</u>

**NOTE 6: VESTED EMPLOYEE BENEFITS**

In accordance with GASB-16 and NCGA-1 (Governmental Accounting and Financial Reporting Principles), the portion of estimated future payments for compensated absences that will use current

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**NOTE 6: VESTED EMPLOYEE BENEFITS (continued)**

expendable resources is reported as a current fund liability in the governmental activities fund and the balance of the liability is reported as non-current liability in the governmental activities fund. For the year ended December 31, 2014 the District did not have a current liability for compensated absences. The amounts included in the long-term liabilities consists of the following:

	<u><b>2014</b></u>
Total Compensated Absences	\$20,698

**NOTE 7: PENSION**

**A. Plan Description**

Fire District No. 1 of the Township of Ocean contributes to a cost-sharing multiple-employer defined benefit pension plan, the Public Employee's Retirement System (P.E.R.S.) administered by the State of New Jersey, Division of Pensions and Benefits. It provides retirement, disability, medical and death benefits to plan members and beneficiaries.

P.E.R.S. was established in January 1955 under the provisions of *N.J.S.A.43:15A*. The plan was set up to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plans. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

**B. Vesting and Benefit Provisions**

The vesting and benefit provisions of PERS are set by *N.J.S.A.43:15A* and *43.3B*. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**NOTE 7: PENSION (continued)**

**B. Vesting and Benefit Provisions (continued)**

Chapter 78, P.L. 2011 changed this for employees enrolled after June 28, 2011. See Note 8C below.

**C. Significant Legislation**

During the year ended June 30, 1997, legislation was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by ½ of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the District's normal contributions to the Fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits; accordingly, the pension costs for PERS were reduced.

New Legislation signed by the Acting Governor (Chapter 133, Public Laws 2001) changed the formula for calculating retirement benefits for all current and future non-veteran retirees from N/60 to N/55 (a 9.09% increase). This legislation, signed June 29, 2001, provides that all members of the PERS will have their pensions calculated on the basis of years of credit divided by 55. It also provides that all current retirees will have their original pension recalculated under the N/55 formula. Starting February 1, 2002, pension cost of living adjustments will be based on the new original pension.

Effective June 28, 2011, Chapter 78, P.L. 2011 reformed various pension and health benefits provisions. Employees hired after June 28, 2011 and enrolled in PERS will be enrolled in a new tier, Tier 5. Full retirement for Tier 5 PERS members will be age 65 and 30 years of service.

All cost of living adjustments are frozen until the pension fund reaches a "target funded ratio".

Chapter 78 also requires all covered employees to contribute a prescribed percentage towards their health costs.

**D. Contribution Requirements**

The contribution policy is set by *N.J.S.A.43:15A*, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and *N.J.S.A.18:66*, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provide for employee contributions of 6.5%, effective October 1, 2011, of employees' annual compensation as defined. The rate will increase over the next seven years to 7.5%. Employers are required to contribute at an actuarially determined rate in PERS. The

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**NOTE 7: PENSION (continued)**

**D. Contribution Requirements (continued)**

actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits and post-retirement medical premiums.

The District contributed to P.E.R.S. for the year ended December 31, 2014 as followed:

<u>Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Non-Cont. Life</u>	<u>Total Liability</u>	<u>Paid by Fire District</u>
2014	6,422	28,232	589	35,243	35,243
2013	9,644	23,060	1,946	34,650	34,650
2012	14,620	29,239	2,794	46,653	46,653

**NOTE 8: INTERFUND RECEIVABLE/PAYABLE**

As of December 31, 2014, the following inter-fund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ -	\$ 320,198
Capital Projects	<u>320,198</u>	<u>-</u>
Total	<u>\$ 320,198</u>	<u>\$ 320,198</u>

The purpose of interfunds is for short-term borrowings. Interfund receivables are recorded as other receivables. Interfund payables are recorded as other payables.

**NOTE 9: FUNDING**

The activities of the Board of Commissioners are primarily funded by the striking of the fire tax on the property owners of the Fire District, as provided for by the state statute. For the year ended December 31, 2014, the fire tax rate on the Fire District No. 1 was approximately \$.057 per \$100 of assessed valuation. The tax revenue is supplemented by income earned on surplus funds invested in a money market fund and investments during the year. The District also participates in the Supplemental Fire Services Program and received a basic entitlement grant of approximately \$6,101. As a condition of this grant, the Board must match the grant by 10%.

**NOTE 10: FUND BALANCE**

**General Fund** – Of the \$1,071,071 General Fund fund balance at December 31, 2014, \$225,000 has been assigned to be designated for subsequent year’s expenditures and \$846,071 is unassigned.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2014**

**NOTE 10: FUND BALANCE (continued)**

**Capital Fund** – Of the \$211,470 Capital Fund fund balance at December 31, 2014, \$111,470 has been restricted for the Capital Projects Fund; \$100,000 has been assigned to be designated for subsequent year's expenditures; and \$37,810 has been assigned for other purposes.

**NOTE 11: COMPONENT UNIT**

On October 21, 2011, Oakhurst E.M.S., Inc., a 501(c)3 corporation was formed. Oakhurst E.M.S., Inc. began operations on August 1, 2012. Paid EMS technicians respond to calls for assistance for twelve hours per day (6 am - 6 pm) and volunteers respond to calls for the remaining twelve hours (6 pm - 6 am). Billings for services are sent to the recipients of assistance only when the paid EMS technicians respond. Ambulances, equipment and the building are shared by the paid technicians and the volunteers. At December 31, 2014, the District has an amount due from Oakhurst E.M.S., Inc. in the amount of \$138,216. The five (5) Commissioners of the District are the 5 members of the Board of Trustees of Oakhurst E.M.S., Inc. Because the board members are the same on both boards, Oakhurst E.M.S., Inc. is considered a component unit of the District and is discretely presented in the District's financial statements. Detailed financial statements for Oakhurst E.M.S., Inc. are available from the administrative office located at 72 Larkin Place, Oakhurst, New Jersey, 07755.

**NOTE 12: IN KIND DONATION**

During the year ended December 31, 2014, the District has recorded an in kind donation valued at \$151,117. Oakhurst E.M.S. Inc. and the Oakhurst First Aid Squad jointly purchased a 2013 Ford E-450 ambulance and donated it to the Fire District No. 1 of the Township of Ocean. In appreciation of the donation, the District approved to relieve \$75,000 of the receivable due from Oakhurst E.M.S., Inc.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the year ended December 31, 2014**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Sale of assets	\$ -	\$ -	\$ 2,800	\$ 2,800
Investment income	1,500	1,500	4,037	2,537
Shared services revenue	40,000	40,000	2,959	(37,041)
Other revenue	1,000	1,000	20,000	19,000
Total miscellaneous revenues	<u>42,500</u>	<u>42,500</u>	<u>29,796</u>	<u>(12,704)</u>
Operating grant revenues:				
Supplemental fire service act	6,101	6,101	6,101	-
Other grants and entitlements	-	-	143,127	143,127
Total operating grant revenue	<u>6,101</u>	<u>6,101</u>	<u>149,228</u>	<u>143,127</u>
Miscellaneous revenues offset with appropriations:				
Uniform fire safety act revenues:				
Annual registration fee	23,235	23,235	27,862	4,627
Penalties and fines	34,800	34,800	38,117	3,317
Other revenues	36,000	36,000	48,986	12,986
Total uniform fire safety act revenues	<u>94,035</u>	<u>94,035</u>	<u>114,965</u>	<u>20,930</u>
Total miscellaneous revenues offset with appropriations	<u>94,035</u>	<u>94,035</u>	<u>114,965</u>	<u>20,930</u>
Total revenues	<u>142,636</u>	<u>142,636</u>	<u>293,989</u>	<u>151,353</u>
Amount raised by taxation to support district budget				
	<u>1,572,850</u>	<u>1,572,850</u>	<u>1,572,850</u>	<u>-</u>
Total anticipated revenues	<u>1,715,486</u>	<u>1,715,486</u>	<u>1,866,839</u>	<u>151,353</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	272,326	272,326	188,984	83,342
Fringe benefits	142,731	142,731	115,465	27,266
Other expenditures:				
Elections	1,300	1,300	1,201	99
Insurance	-	300	250	50
Memberships and subscriptions	7,250	7,250	4,447	2,803
Office expenses	42,500	34,000	13,220	20,780
Professional fees	45,500	53,700	53,636	64
Travel expenses	20,000	20,000	19,667	333
Total administration	<u>531,607</u>	<u>531,607</u>	<u>396,870</u>	<u>134,737</u>

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF OCEAN**  
**Budgetary Comparison Schedule**  
**For the year ended December 31, 2014**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Cost of operations and maintenance:				
Salaries and wages	75,000	75,000	61,463	13,537
Fringe benefits	143,107	105,607	90,504	15,103
Other expenditures:				
Advertising	1,500	1,600	1,579	21
Insurance	50,000	50,000	43,056	6,944
Maintenance and repairs	257,500	257,500	119,787	137,713
Memberships and dues	4,000	4,000	1,306	2,694
Professional fees - district doctor	5,000	5,000	1,500	3,500
Rental charges	175,000	175,000	171,958	3,042
Operating materials and supplies	51,000	49,000	38,165	10,835
Training and education	14,000	15,900	15,848	52
Travel expenses	17,000	17,000	15,489	1,511
Utilities	66,000	66,000	57,193	8,807
Permits, licenses, fees and registrations	1,500	1,500	230	1,270
Outside services	49,300	49,300	27,145	22,155
Promotion	7,000	7,000	6,952	48
Reimbursement for expense/loss	25,500	25,500	17,415	8,085
Uniforms	33,500	33,500	25,255	8,245
Equipment	181,000	182,554	131,180	51,374
Supplemental fire service equipment	6,101	6,101	6,101	-
LEA expenses	17,336	17,336	-	17,336
Non-bondable assets	-	70,380	70,380	-
Total cost of operations and maintenance	<u>1,180,344</u>	<u>1,214,778</u>	<u>902,506</u>	<u>312,272</u>
Operating appropriations offset with revenues:				
Salaries and wages	90,000	90,000	86,833	3,167
Fringe benefits	4,035	35,335	35,243	92
Other expenditures	-	6,200	6,109	91
Total operating appropriations offset with revenues	<u>94,035</u>	<u>131,535</u>	<u>128,185</u>	<u>3,350</u>
Appropriations for first aid squad	<u>105,500</u>	<u>105,500</u>	<u>52,955</u>	<u>52,545</u>
Capital appropriations	<u>230,000</u>	<u>330,000</u>	<u>611,920</u>	<u>(281,920)</u>
Debt service for capital appropriations:				
Capital leases	-	-	147,475	(147,475)
Interest on capital leases	-	-	2,525	(2,525)
Total debt service for capital appropriations	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>(150,000)</u>
Total operating appropriations	<u>2,141,486</u>	<u>2,313,420</u>	<u>2,242,436</u>	<u>70,984</u>
Other financing sources and uses:				
Proceeds from capital lease	-	-	258,989	258,989
Relief of Oakhurst EMS receivables	-	-	(75,000)	(75,000)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>183,989</u>	<u>183,989</u>
Excess (efficiency) of revenues over (under) expenditures	(426,000)	(597,934)	(191,608)	406,326
Fund balance, January 1	<u>1,474,149</u>	<u>1,474,149</u>	<u>1,474,149</u>	<u>-</u>
Fund balance, December 31	<u>\$ 1,048,149</u>	<u>\$ 876,215</u>	<u>\$ 1,282,541</u>	<u>\$ 406,326</u>





Board of Fire Commissioners  
Fire District No. 1 of the Township of Ocean  
Ocean, New Jersey 07755

We have audited the basic financial statements of the Fire District No. 1 of the Township of Ocean in the County of Monmouth, State of New Jersey, for the year ended December 31, 2014. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

### GENERAL COMMENTS

#### **Contracts and Agreements Required to be Advertised by (N.J.S.A.40A:11-4)**

*N.J.S.A.40A:11-4* - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500 except by contract or agreement.

It is pointed out that the Board of Fire Commissioners has the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

The minutes indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.40A:11-5*.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

#### **Contracts and Agreements Requiring Solicitation of Quotations**

The examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$2,625 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

## **Examination of Bills**

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate.

### *Finding 2014-001:*

During our audit, it was noted the District budgeted for a \$150,000 down payment on apparatus through the capital projects fund. The district obtained a capital lease for the full purchase price and made the first payment in the year ended December 31, 2014 through the debt service fund. The first payment on the capital lease was the same amount that was budgeted for the down payment in the capital projects fund, however a budget amendment was never approved by the district.

### *Recommendation:*

That the District spends funds in accordance with the approved budget.

### *Management Response:*

This finding will be corrected in the fiscal year ending December 31, 2015.

## **Examination of Cash Receipts**

A test check of cash receipts was made.

## **Follow-up on Prior Years' Findings**

There were no prior year findings.

## **Acknowledgment**

We received the complete cooperation of all the staff of the District and we greatly appreciate the courtesies extended to the members of the audit team.

During our review, we did not note any problems or weaknesses significant enough that would affect our ability to express an opinion on the financial statements taken as a whole.

Should you have any questions, please contact us.

**HOLMAN FRENIA ALLISON, P.C.**

*Certified Public Accountants*

March 10, 2015  
Toms River, New Jersey