

**Jackson Township Fire District No. 2
County of Ocean
Jackson, New Jersey**

**Financial Statements
and
Report on Audit**

December 31, 2015

**Jackson Township Fire District No 2
December 31, 2015**

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**Jackson Township Fire District No. 2
December 31, 2015**

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Jackson Township Fire District No. 2
Roster of Commissioners
December 31, 2015

Jason Symons
President

Keith Wickham, Sr
Vice President

Vincent Rubio
Secretary

John Ryan
Treasurer

John Poppe II
Commissioner



MARTHA C. CARROLL, CPA, LLC
Audit and Accounting Services

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Jackson Township Fire District No. 2
Jackson, New Jersey

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, and each major fund of the Board of Commissioners, Jackson Township Fire District No. 2 as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, State of New Jersey. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Board of Commissioners, Jackson Township Fire District No. 2 as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Pronouncement

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

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, schedule of the District's proportionate share of the net pension liability – PERS, schedule of District Contributions – PERS, schedule of the District's proportionate share of the net pension liability – PFRS, schedule of District contributions – PFRS and notes to the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information


The other supplementary information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated August 26, 2016 on my consideration of the Board of Commissioners, Jackson Township Fire District No. 2's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board of Fire Commissioners, Jackson Township Fire District No. 2's internal control over financial reporting and compliance.

Respectfully submitted,

Martha C. Carroll, CPA, LLC


Martha C. Carroll, CPA

Toms River, New Jersey
August 26, 2016



MARTHA C. CARROLL, CPA, LLC
Audit and Accounting Services

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

Independent Auditor's Report

Board of Commissioners
Jackson Township Fire District No. 2
Jackson, New Jersey

I 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 compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities and each major fund of the Board of Commissioners, Jackson Township Fire District No. 2, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Board of Commissioners, Jackson Township Fire District No. 2's basic financial statements and have issued my report thereon dated August 26, 2016.

Internal Control Over Financial Reporting

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

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

My 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 my audit, I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, I 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

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Compliance and Other Matters (continued)


determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Martha C. Carroll, CPA, LLC


Martha C. Carroll, CPA

Toms River, New Jersey
August 26, 2016

REQUIRED SUPPLEMENTARY INFORMATION
PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

**JACKSON TOWNSHIP FIRE DISTRICT NO. 2
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

As management of Jackson Township Fire District No. 2, we offer readers of the Jackson Fire District No. 2 financial statements this narrative overview and analysis of the financial activities of the Jackson Township Fire District No. 2 for the year ended December 31, 2015. The intent of this narrative is to look at Jackson Township Fire District No. 2's overall financial performance in terms easily understood by the lay person. Please read this in conjunction with the transmittal letters beginning on page 2 and the District's financial statements which begin on page 16. Notes to the financial statements will provide the reader with additional useful information and they begin on page 23.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at December 31, 2015 by approximately \$2.06 million. In 2014 the excess was approximately \$2.22 million. This is a decrease of approximately \$158,500 or 7%.
- During 2015 Jackson Township Fire District No. 2 operated at a deficit of approximately \$158,500. The surplus in 2014 was approximately \$36,400. This is a decrease of approximately \$194,900 or 535%.
- The District's 2014 net position was restated by a negative prior period adjustment of \$1,289,918 (Note 17).
- The District sold their rights to cell tower income in 2015 for \$1.1 million.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. Jackson Township Fire District No. 2'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 9. 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 all the assets and liabilities of Jackson Township Fire District No. 2. The difference between the two 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. Jackson Township Fire District No. 2 has two basic functions: activities that are supported by property taxes; and activities supported by other governmental activities. Jackson Township Fire District No. 2 provides firefighting services to the citizens of Jackson Township.

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, Jackson Township Fire District No. 2 uses fund accounting to document compliance with finance-related legal matters. Jackson Township Fire District No. 2 has two types of fund groups, governmental funds and fiduciary funds.

Governmental Funds

Jackson Township Fire District No. 2's activities are all 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.

Jackson Township Fire District No. 2 maintains three separate governmental funds, the government fund, the capital fund, and the fiduciary fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general 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, Jackson Township Fire District No. 2 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

A fiduciary fund is used to hold and report funds that are being held in trust. The District maintains an agency fund for the accumulation of monies as the custodian for the volunteer firefighters' Length of Service Awards Program (LOSAP).

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

Jackson Township Fire District No. 2's net position is a useful indicator of the District's financial condition. At the end of 2015 the District's assets exceeded the liabilities by approximately \$2.06 million. The largest portion of Jackson Township Fire District No. 2's net position (46.0%) 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. Jackson Township Fire District No. 2'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.

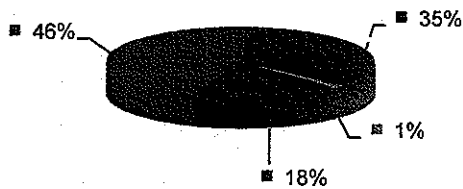
Statement of Net Position

JACKSON TOWNSHIP FIRE DISTRICT NO. 2
NET POSITION
DECEMBER 31, 2015

	2015	2014	\$ Increase (Decrease)	% Increase (Decrease)
Current and Other Assets	\$3,067,387	\$1,386,851	1,680,536	121.2%
Capital Assets	<u>1,218,476</u>	<u>1,294,482</u>	(76,006)	(5.9%)
Total Assets	4,285,863	2,681,333	1,604,530	59.8%
Other Liabilities	<u>(2,225,700)</u>	<u>(462,642)</u>	1,763,058	381.1%
Net Position	<u>\$2,060,163</u>	<u>\$2,218,691</u>	(158,528)	(7.1%)

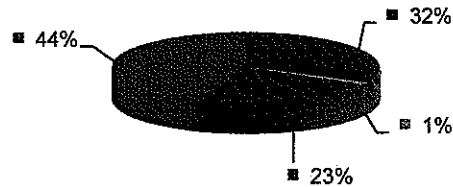
	2015	2014	\$ Increase (Decrease)	% Increase (Decrease)
Analysis of Net Position				
Invested in Capital Assets Net of Related Debt	\$ 948,082	\$ 978,516	(30,434)	(3.1%)
Restricted for Capital Projects	718,924	718,534	390	.1%
Restricted for Dedicated Penalties	22,452	22,452	-0-	0.0%
Unrestricted	<u>370,705</u>	<u>499,189</u>	(128,484)	(25.7%)
Total Net Position	<u>\$2,060,163</u>	<u>\$2,218,691</u>	(158,528)	(7.1%)

2015 Net Position



■ Invested in Net Position ■ Capital Projects
 ■ Dedicated Penalties ■ Unrestricted

2014 Net Position



■ Invested in Net Position ■ Capital Projects
 ■ Dedicated Penalties ■ Unrestricted

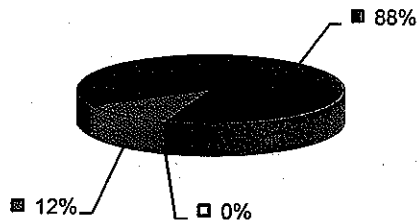
The net position of Jackson Township Fire District No. 2 decreased approximately \$158,500 during the 2015 period. This decrease was due primarily to the District's adoption of GASB 68 which resulted in the booking of a noncurrent pension liability of approximately \$1,397,000. Other major changes in net position at December 31, 2015 were a \$111,300 increase in accounts payable and accrued expenses and a \$45,500 decrease in debt service. The District added approximately \$45,300 of capital assets during the year. In 2015 the net capital assets were decreased by approximately \$76,000.

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:

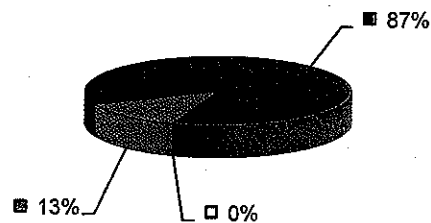
Expenses	2015	2014	\$ Increase (Decrease)	% Increase (Decrease)
Program Expenses				
Administrative Expenses	\$ 137,539	\$ 150,814	(13,275)	(8.8%)
Cost of Operations & Maintenance	1,043,567	989,930	53,637	5.4%
Operating Appropriations Offset With Revenues	<u>- 0 -</u>	<u>- 0 -</u>	- 0 -	0%
Total Program Expenses	1,181,106	1,140,744	40,362	3.5%

2015 Program Expenses



Administrative
 Operations
 Expenses offset by Revenues

2014 Program Expenses

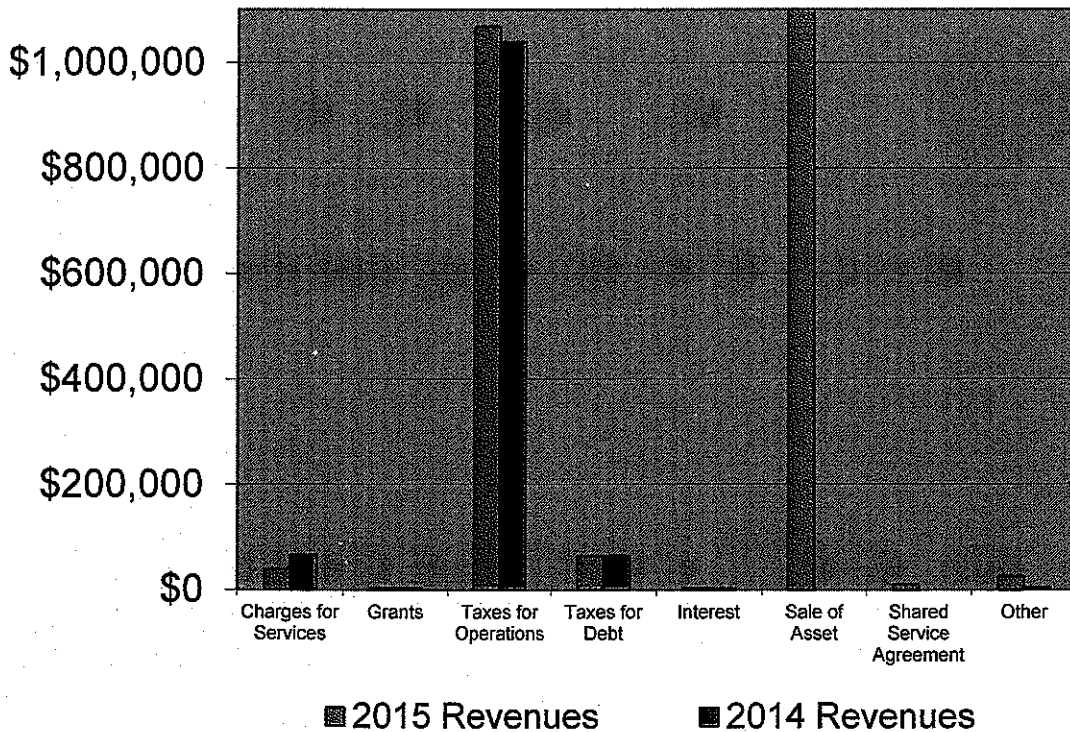


Administrative
 Operations
 Expenses offset by Revenues

Program Revenues	2015	2014	\$ Increase (Decrease)	% Increase (Decrease)
Charges for Services	39,241	65,209	25,968	(39.8%)
Operating Grants & Contributions	<u>3,257</u>	<u>3,257</u>	- 0 -	.0%
Net Program Expenses	<u>1,138,608</u>	<u>1,072,278</u>	66,330	6.2%

	2015	2014	\$ Increase (Decrease)	% Increase (Decrease)
General Revenues				
Property Taxes Levied for General Purposes	\$1,068,160	\$1,038,732	29,428	2.8%
Property Taxes Levied for Debt Service	63,771	63,711	- 0 -	0%
Unrestricted Investment Earnings	3,072	2,005	1,067	53.2%
Sale of Asset	1,100,000	- 0 -	1,100,000	100.0%
Shared Service Agreement	10,000	- 0 -	10,000	100.0%
Miscellaneous Income	<u>24,995</u>	<u>4,163</u>	20,832	500.4%
Total General Revenues	<u>2,269,998</u>	<u>1,108,671</u>	1,161,327	104.7%
Increase in Net Position	1,131,390	36,393	1,094,997	300.9%
Prior Period Adjustment	(1,289,918)	- 0 -	(1,289,918)	(100.0%)
Net Position, January 1	<u>2,218,691</u>	<u>2,182,298</u>	36,393	1.7%
Net Position, December 31	<u>\$2,060,163</u>	<u>\$2,218,691</u>	(158,528)	(7.1%)

Revenues



Property tax revenue constituted 50% of the total governmental activities revenues received by Jackson Township Fire District No. 2 in 2015. In 2014 the property tax revenue constituted 93% of total revenues.

The Cost of Operations & Maintenance was 88% and 87% of the District's total net expenses in 2015 and 2014 respectively. Administration expenses equaled 12% and 13% of the total net expenses in 2015 and 2014.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

Jackson Township Fire District No. 2 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, 2015, the combined balance of the governmental cash funds of Jackson Township Fire District No. 2 was approximately \$2,474,400. This balance is approximately \$1,129,700 higher than last year's combined governmental cash funds balance. The increase is due primarily to the sale of the cellphone tower in the General Fund.

The combined balance of the governmental funds of Jackson Township Fire District No. 2 was approximately \$2,430,500.

The general fund is the main operating fund of Jackson Township Fire District No. 2. At the end of 2015, the total fund balance of the general fund was approximately \$1,674,200.

During 2015 the general fund balance of Jackson Township Fire District No. 2 increased by approximately \$1,194,600. The primary reasons for this increase are as follows:

- The District sold their rights to cell tower income for \$1,100,000.
- The Board's general fund operated at a surplus of approximately \$1,194,700.

At the end of 2015, the District had a capital projects fund balance of approximately \$718,900. This balance increased by approximately \$400 from the previous year. The major changes in this fund balance were:

- Interest income on deposits of \$400.

General Fund Budgetary Highlights

The 2015 Budget was balanced and there was no need to utilize any accumulated surplus.

Overall, the District spent approximately \$134,000 less than originally anticipated in the budget for 2015. The District received approximately \$39,300 less in revenue than was included in the budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2015 Jackson Township Fire District No. 2 had invested in capital assets for government activities \$1,218,476 (net of accumulated depreciation). Capital assets consist of firehouse improvements, fire apparatus, fire equipment, and office equipment. They purchased approximately \$45,300 of equipment in 2015.

JACKSON TOWNSHIP FIRE DISTRICT NO. 2
CAPITAL ASSETS
(NET OF ACCUMULATED DEPRECIATION)
DECEMBER 31, 2015

	2015	2014	Change
Firehouse & Land	\$1,557,058	\$1,557,058	- 0 -
Vehicles & Apparatus	1,881,213	1,881,213	- 0 -
Equipment	<u>422,340</u>	<u>377,072</u>	45,268
Total Capital Assets	3,860,611	3,815,343	45,268
Accumulated Depreciation	<u>2,642,135</u>	<u>2,520,861</u>	121,274
Investment in Capital Assets – net	<u>\$1,218,476</u>	<u>\$1,294,482</u>	(76,006)

Additional information on Jackson Township Fire District No. 2's capital assets can be found in Note 5 in the notes to the financial statements.

Long-Term Obligations

Jackson Township Fire District No. 2 entered into a lease purchase for a 2008 Rosenbauer Fire Apparatus in 2010. The lease purchase is for ten annual payments of \$63,771.88. The current balance of the lease payments is \$270,394.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

In 2015, Jackson Township Fire District No. 2 was able to cover all its appropriations through the fire tax levy and other revenues. In 2015 the fire tax levy amounted to 50% of total revenue collected.

In 2016, Jackson Township Fire District No. 2 adopted their 2016 budget on January 14, 2016. The voters subsequently approved the budget at the February election. The 2016 budget reflects an increase of \$347,944 in the 2016 tax levy due to the consolidation of Jackson Township Fire District No. 1 with Jackson Township Fire District No. 2 as indicated in Note 19.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Jackson Township Fire District No. 2'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 John Ryan, Jackson Township Fire District No. 2, P.O. Box 47, Jackson, New Jersey, 08527.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Jackson Township Fire District No. 2
Statement of Net Position
December 31, 2015

ASSETS

Cash and cash equivalents	\$ 1,733,067
Accounts receivable	7,340
Due from Jackson Township Fire District #1	188,578
Prepaid insurance	48,701
Restricted assets:	
Restricted cash and cash equivalents	741,376
Capital assets, net	<u>1,218,476</u>
 Total Assets	 <u>3,937,538</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	<u>348,325</u>
 Total Assets and Deferred Outflows of Resources	 <u>4,285,863</u>

LIABILITIES

Accounts payable and accrued expenses	220,573
LOSAP payable	34,221
Due to fire company	22,452
Pension payable	66,011
Net pension liability	1,396,952
Noncurrent liabilities	
Due within one year	48,197
Due beyond one year	<u>222,197</u>
 Total Liabilities	 <u>2,010,603</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	<u>215,097</u>
 Total Liabilities and Deferred Inflows of Resources	 <u>2,225,700</u>

NET POSITION

Invested in capital assets, net of related debt	948,082
Restricted for:	
Capital projects	718,924
Dedicated penalties	22,452
Unrestricted	<u>370,705</u>
 Total Net Position	 <u>\$ 2,060,163</u>

The accompanying notes to financial statements are an integral part of this statement.

Jackson Township Fire District No. 2
Statement of Activities
For the Year Ended December 31, 2015

Expenses	
Operating	\$ 1,162,907
Interest	<u>18,199</u>
Total Program Expenses	1,181,106
Program Revenues	
Charges for services	39,241
Operating grants	<u>3,257</u>
Net Program Expenses	<u>1,138,608</u>
General Revenues	
Taxes	
Property taxes levied for general purposes	1,068,160
Property taxes levied for debt service	63,771
Investment earnings	3,072
Sale of assets	1,100,000
Shared Service Agreement	10,000
Other	<u>24,995</u>
Total General Revenues	<u>2,269,998</u>
Change in Net Position	<u>1,131,390</u>
Net Position, January 1	2,218,691
Prior period adjustment	<u>(1,289,918)</u>
Net Position, January 1 (restated)	<u>928,773</u>
Net Position, December 31	<u><u>\$ 2,060,163</u></u>

The accompanying notes to financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

Jackson Township Fire District No. 2
Balance Sheet
Governmental Funds
December 31, 2015

	General Fund	Capital Projects Fund	Debt Service	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,234,591	\$ 239,852	\$ -	\$ 2,474,443
Deferred charges to future taxation			270,394	270,394
Accounts receivable	7,340			7,340
Due from Jackson Fire District #1	188,578			188,578
Interfund receivable		479,072		479,072
Total Assets	<u>\$ 2,430,509</u>	<u>\$ 718,924</u>	<u>\$ 270,394</u>	<u>\$ 3,419,827</u>
Liabilities and Fund Balances				
Current liabilities				
Accounts payable and accrued expenses	\$ 220,573	\$ -	\$ -	\$ 220,573
LOSAP payable	34,221			34,221
Due to fire company	22,452			22,452
Interfund payable	479,072			479,072
Capital lease short term			48,197	48,197
Total Current Liabilities	<u>756,318</u>	<u>-</u>	<u>48,197</u>	<u>804,515</u>
Other Liabilities				
Capital lease long term			222,197	222,197
Total Liabilities	<u>756,318</u>	<u>-</u>	<u>270,394</u>	<u>1,026,712</u>
Fund Balances				
Restricted for:				
Capital		718,924		718,924
Assigned for:				
Subsequent year	221,000			221,000
Unassigned	1,453,191			1,453,191
Total Fund Balances	<u>1,674,191</u>	<u>718,924</u>	<u>-</u>	<u>2,393,115</u>
Total Liabilities and Fund Balances	<u>\$ 2,430,509</u>	<u>\$ 718,924</u>	<u>-</u>	

(Continued)

Jackson Township Fire District No. 2
Balance Sheet
Governmental Funds
December 31, 2015

Exhibit B-1

Total
 Governmental
 Funds

 (Continued)

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

Payments made to vendors for services that will benefit periods beyond fiscal year end that are recorded as expenditures at the time of payment in the governmental funds. (Prepaid insurance)	\$ 48,701
Payments not made in current period (Capital Lease)	(270,394)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$3,860,609 and the accumulated depreciation is \$2,642,133	1,218,476
Pension payable is not recorded in the fund financial statements due to the fact that the payable is not due in the period	(66,011)
Net pension liability is not recorded in fund financial statements	(1,396,952)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods, and therefore, are not reported in the funds.	<hr/> 133,228
Net position of governmental activities	<hr/> <u>\$ 2,060,163</u>

The accompanying notes to financial statements are an integral part of this statement.

Jackson Township Fire District No. 2
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2015

	General	Capital Projects	Debt Service	Total Governmental Funds
Revenues				
District taxes	\$ 1,068,160	\$ -	\$ 63,771	\$ 1,131,931
Supplemental Fire Service Grant	3,257			3,257
Sale of Assets	1,100,000			1,100,000
Fines and penalties	24,995			24,995
Charges for services	39,241			39,241
Shared Service Agreement	10,000			10,000
Interest on deposits and investments	2,682	390		3,072
Total Revenues	2,248,335	390	63,771	2,312,496
Expenditures				
Operating appropriations	1,053,600			1,053,600
Debt Service:				
Principal			45,572	45,572
Interest			18,199	18,199
Total Expenditures	1,053,600		63,771	1,117,371
Net Change in Fund Balances	1,194,735	390	-	1,195,125
Fund balances, January 1	479,456	718,534	-	1,197,990
Fund balances, December 31	\$ 1,674,191	\$ 718,924	\$ -	\$ 2,393,115

The accompanying notes to financial statements are an integral part of this statement.

**Jackson Township Fire District No. 2
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Government Funds
to the Statement of Activities
For the Year Ended December 31, 2015**

Total Net Change in Fund Balances - Governmental Funds	\$ 1,195,125
--	--------------

Amounts reported for governmental activities in the Statement of Activities (A-2) are difference because:

<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. This is the amount by which depreciation expense of \$121,274 exceeded capital outlays of \$45,265.</p>	(76,009)
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<p>In the statement of activities, certain operating expenses, e.g., compensated absences(vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+) 48,701-42,185 prepaid insurance and principal payment of (+) \$45,572.</p>	52,088
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District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

Pension expense - PERS & PFRS Contribution 2015	59,102		
Pension Expense	(98,916)		(39,814)

Change in Net Position of Governmental Activities	<u>\$ 1,131,390</u>
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**Jackson Township Fire District No 2
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2015**

	Agency Funds
Assets	
Cash and cash equivalents	\$ -
Investments, at fair value	
Mutual funds	173,578
Total Assets	173,578
 Liabilities	
Length of Service Award Program contributions	173,578
Total Liabilities	173,578
 Net Position	
Unrestricted	-
Total Net Position	\$ -

The accompanying notes to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2015

Note 1 Summary of Significant Accounting Policies

A. Description of Reporting Entity

The Board of Commissioners, Jackson Township Fire District No. 2 (the District) is an instrumentality of the State of New Jersey, established to function as a special district. The Board consists of five elected Commissioners and is responsible for the fiscal control of the District. Jackson Township Fire District No. 2 was created by the governing body of the Jackson Township. The length of each Commissioner's term is three years with the annual election held the third Saturday of every February.

B. Basis of Presentation

The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

The District's basic financial statements consist of district-wide statements (reporting the District as a whole) including a Statement of Net Position and a Statement of Activities, and fund financial statements (reporting the District's major funds).

District-wide Financial Statements - The Statement of Net Position presents the financial condition of the government activities of the District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. The policy of the District is to not allocate indirect expenses to functions in the Statement of Activities. This district-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

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

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

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2015

Note 1 Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Government Funds- (continued)

assets and liabilities is reported as fund balance. The following are the District's governmental funds:

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

Capital Projects Fund – The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to capital outlays, including the acquisition or construction of major capital facilities such as fire houses 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 on the ballot either during the annual election or at a special election.

Fiduciary Funds - Fiduciary funds are those used to report assets held in a trustee or agency capacity for others and cannot be used to address activities or obligations of the District. Therefore, these funds are not incorporated into the government-wide statements. The following is the District's fiduciary fund:

Agency Fund - The Agency Fund is used by the District to report funds that are being held for individuals in a purely custodial capacity. These funds represent monies accumulated in the Length of Service Awards Program (LOSAP) for eligible volunteer firefighters. For that reason, in the Statement of Fiduciary Net Position, agency fund assets should equal liabilities.

C. Measurement Focus

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

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

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2015

Note 1 Summary of Significant Accounting Policies (continued)

C. Measurement Focus (continued)

Fiduciary Fund Financial Statements – Because of the custodial nature of agency funds the concept of measurement focus, which centers on operations, is not applicable to agency funds.

D. Basis of Accounting

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

On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the District, available means expected to be received within thirty days of year-end.

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

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.

The fire commissioners must introduce and adopt 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.

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2015

Note 1 Summary of Significant Accounting Policies (continued):

F. 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 equaling the difference between the total of all monies so assessed and the total amount of monies previously paid over.

G. 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 or services.

The encumbered appropriation authority carries over into the next year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amount as of the current year end. The encumbrances at December 31, 2015 totaled \$0.

H. Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds and cash in banks. 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 State of New Jersey.

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 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 a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2015

Note 1 Summary of Significant Accounting Policies (continued):

I. Prepaid Expenses

Prepaid expenses recorded in the governmental fund types, which benefit future periods, are recorded as expenditures during the year of purchase. Prepaid expenses recorded on the district-wide financial statements represent payments made to vendors for services that will benefit periods beyond December 31, 2015.

J. Short-Term Interfund Receivables/Payables

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

K. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide Statement of Net Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The District adopted a Fixed Asset Management Plan wherein assets having a useful life greater than five years and a unit cost greater than \$2,000 are considered capital assets. Assets having a useful life greater than one year but less than five years with a unit cost greater than \$500 but less than \$2,000 are considered non-bondable assets. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

<u>Description</u>	<u>Estimated Lives</u>
Building and improvements	30 Years
Vehicles	5-25 Years
Equipment	5-10 Years

N.J.S.A. 40A:14-85 governs the procedures for the acquisition of property and equipment for fire districts, and N.J.S.A. 40A:14-86 to 87 governs procedures for the issuance of any debt related to such purchases. In summary, fire districts may purchase fire fighting apparatus and equipment and land and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or 2 percent of the assessed valuation of property, whichever is larger.

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2015

Note 1 Summary of Significant Accounting Policies (continued):

L. Accrued Liabilities and Long-Term Obligations

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

M. Net Position

Net position represents the difference between the summation of assets and the deferred outflows of resources, and summation of liabilities and deferred inflows of resources. The District reports three categories of net position as follows:

Net investment in capital assets - consists of capital assets net of accumulated depreciation, reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction or improvement of those assets.

Restricted net position - net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the fire district or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted net position - net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

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

N. Fund Balance

The District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the fire district is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The District's classifications are as follows:

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

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

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2015

Note 1 Summary of Significant Accounting Policies (continued):

N. Fund Balance (continued)

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

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

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

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

O. Estimates

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

P. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

For the year ended December 31, 2015, the District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* – (Amendment to GASB Statement No. 27)

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2015

Note 1 Summary of Significant Accounting Policies (continued):

P. Impact of Recently Issued Accounting Principles (continued)

Recently Issued and Adopted Accounting Pronouncements (continued)

and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of the Statements requires the District to report as an asset and/or liability its portion of the collective net pension's asset and liability of the New Jersey Public Employees' Retirement System (PERS). The implementation of the Statements also requires the District to report a deferred outflow and/or inflow for the effect of the net change in the District's proportion of the collective net pension asset and/or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

The District has adopted and implemented all current standards of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2015.

GASB has issued Statement No. 72, *Fair Value Measurement and Application*, effective for the year ending June 30, 2016.

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*, effective for the year ending December 31, 2018. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57 *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, established new accounting and financial reporting requirements for OPEB Plans.

GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending December 31, 2016.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

Q. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2015

Note 1 Summary of Significant Accounting Policies (continued)

R. Subsequent Events

Subsequent events were evaluated through August 26, 2016 which is the date the financial statements were available to be issued.

Note 2 – Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2015, consisted of the following:

Deposits with financial institutions \$2,496,580

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Although the District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized. Of the District's amount on deposit of \$2,496,580 as of December 31, 2015, \$250,000 in TD Bank was insured under FDIC and \$2,246,580 was collateralized under GUDPA.

Restricted cash on the Statement of Net Position of \$741,376 represents the portion of cash that must be spent on capital projects of \$718,924 and dedicated penalties of \$22,452.

Note 3- Receivables

Receivables at December 31, 2015 consisted of \$7340.

Note 4- Prepaid Expenses

Prepaid expenses at December 31, 2015 consisted of prepaid insurance of \$48,701.

Note 5 – Capital Assets

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

	<u>1/1/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/15</u>
Building & improvements	\$ 1,407,058	\$ -0-	\$ -0-	\$1,407,058
Vehicles & apparatus	1,881,213	-0-	-0-	1,881,213
Equipment	<u>377,072</u>	<u>45,268</u>	<u>-0-</u>	<u>422,340</u>
Total Capital Assets				
Being depreciated:	<u>3,665,343</u>	<u>45,268</u>	<u>-0-</u>	<u>3,710,611</u>

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2015

Note 5 – Capital Assets (continued)

	<u>1/1/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/15</u>
Less: Accumulated Depreciation:				
Building & improvements	(1,303,907)	(9,351)	-0-	(1,313,258)
Vehicles & apparatus	(950,786)	(81,076)	-0-	(1,031,862)
Equipment	<u>(266,168)</u>	<u>(30,847)</u>	<u>-0-</u>	<u>(297,015)</u>
Total Acc. Depreciation	<u>(2,520,861)</u>	<u>(121,274)</u>	<u>-0-</u>	<u>(2,642,135)</u>
Total Capital Assets				
Being depreciated – net	1,144,482	-0-	-0-	1,068,476
Land	<u>150,000</u>	<u>-0-</u>	<u>-0-</u>	<u>150,000</u>
Capital Assets- Net	<u>\$1,294,482</u>	<u>\$ (76,006)</u>	<u>\$ -0-</u>	<u>\$ 1,218,476</u>

Depreciation expense was charged to governmental functions as follows:
 Cost Of Operations and Maintenance \$121,274

Note 6 – Length of Service Awards Program (LOSAP)

The District maintains a Length of Service Awards Program for members of the volunteer firefighting organization that serves the citizens of the District. The general requirements for a LOSAP are set forth in State Law (N.J.S.A. 40A:14-183 et seq.) An appropriation of \$15,000 was budgeted for 2015.

Note 7 – Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at December 31, 2015 consisted of the following:

Accounts payable	\$80,677
Accrued professional fees	24,485
Accrued vacation	8,846
Accrued pension fees	4,450
Accrued back pension-District 1	<u>102,115</u>
Total	<u>\$220,573</u>

Note 8 – Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. The District maintains commercial insurance coverage for property, liability, and surety bonds. Settled claims did not exceed commercial insurance in any of the past three fiscal years.

Note 9 – Interfund Receivables and Payables

At December 31, 2015 an interfund receivable to the capital projects fund and an interfund payable from the general fund of \$479,072 existed.

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2015

Note 10 – Related Parties

The District entered into a lease agreement with the fire company to rent the premises wherein it makes quarterly payments to the fire company for providing facilities. The total rent paid to the fire company during 2015 was \$30,000.

Note 11 – Fund Balances

General Fund – Of the \$1,674,191 general fund balance at December 31, 2015, \$221,000 is assigned for subsequent year and \$1,453,191 is unassigned.

Capital Projects Fund- All of the \$718,924 capital fund balance at December 31, 2015 is restricted for capital purchases.

Note 12 – Property Tax Levies

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

<u>Year</u>	<u>Assessed Valuation</u>	<u>Total Tax Levy</u>	<u>Tax Rate</u>
2015	\$1,519,531,064	\$ 1,131,931	\$0.075
2014	1,520,827,300	1,102,503	0.072
2013	1,527,737,065	1,072,931	0.070
2012	1,522,456,165	1,051,154	0.069
2011	1,524,456,188	1,024,022	0.067

Note 13 – Compensated Absences

The District accounts for compensated absences (e.g. unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB. 16) "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits. Employees may accrue up to 30 vacation days and shall be paid for all unused and accrued vacation days upon termination. Employees may accrue up to 80 sick days which will be paid upon retirement only at the rate of one-half the prevailing salary for each day accrued. As of December 31, 2015, the liability for compensated absences in the governmental fund types was \$8,845.

Note 14 – Long Term Obligations

During the year ended December 31, 2015, the following changes occurred in long-term obligations:

	<u>Principal Outstanding 1/1/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Principal Outstanding 12/31/15</u>	<u>Due Within One Year</u>
Obligations under					
Capital Leases	\$ 315,966	\$ -0-	\$45,572	\$270,394	\$48,197

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2015

Note 14 – Long Term Obligations (continued)

Capital Leases Payable - On February 8, 2010 the District entered into a capital lease agreement with Kansas State Bank of Manhattan to lease/purchase a 2008 Rosenbauer Fire Truck for \$474,750. The terms of the lease require annual principal and interest payments of \$63,771.88 to be paid in ten annual installments, beginning March 15, 2011 at a fixed interest rate of 5.760%. The following schedule details the required lease payments:

Year Ending <u>March 15</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$48,197.22	\$15,574.66	\$63,771.88
2017	50,973.38	12,798.50	63,771.88
2018	53,909.45	9,862.43	63,771.88
2019	57,014.63	6,757.25	63,771.88
2020	<u>60,298.67</u>	<u>3,473.21</u>	<u>63,771.88</u>
Total	<u>\$270,393.35</u>	<u>\$48,466.05</u>	<u>\$318,859.40</u>

Interest expense for 2015 was \$18,200.

Note 15 – Operating Lease

On March 15, 2012, the District entered into a lease purchase agreement with Leaf Capital Funding, LLC to lease a Copystar CS 3050ci copier system for a term of 60 months at \$203 a month. The lease contains an end of lease purchase option at fair market value, plus taxes.

Future minimum lease payments under this lease are:

Year ending December 31:	
2016	\$2,436
2017	<u>406</u>
	<u>\$ 2,842</u>

Rental expense for 2015 was approximately \$2,436.

Note 16 – Pension

A. Public Employees' Retirement System (PERS)

Plan Description – The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to the Division's Comprehensive Annual Financial Report ((CAFR) which can be found at www.state.nj.us/treasury/pensions/amrpts.shtml.

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

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2015

Note 16 – Pension (continued)

A. Public Employees' Retirement System (PERS) (continued)

The following represents the membership tiers for PERS.

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

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

Basis of Presentation - The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions – The contribution policy for PERS is set by *N.J.S.A. 15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L.2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2015

Note 16 – Pension (continued)

A. Public Employees' Retirement System (PERS) (continued)

Contributions (continued)

this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

<u>Year Funding</u>	<u>Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/15	\$ 7,391	100%	\$205,803
12/31/14	17,093	100%	167,858
12/31/13	17,543	100%	443,563

Components of Net Pension Liability – At December 31, 2015, the District's proportionate share of the PERS net pension liability is valued to be \$205,803. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2015. The District's proportion measured as of June 30, 2015, was .00092%, which was an increase of .00002% from its proportion measured as of June 30, 2014.

Collective Balances at December 31, 2015 and December 31, 2014

	<u>12/31/2015</u> July 1, 2014	<u>12/31/2014</u> July 1, 2013
Actuarial valuation date		
Deferred Outflows of resources	\$ 30,229	\$ 12,669
Deferred Inflows of resource	\$ 184,092	\$ 231,502
Net Pension Liability	\$ 205,803	\$ 167,858
District's portion of the Plan's total Net Pension Liability	0.00092%	0.00090%

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended December 31, 2015, the District had an allocated pension credit of \$26,535. At December 31, 2015, the District's allocation of deferred outflows of resources and deferred inflows of resources related to PERS are from the following sources;

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2015

Note 16 – Pension (continued)

A. Public Employees’ Retirement System (PERS) (continued)

Pension Expense and Deferred Outflows/Inflows of Resources (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$22,102	\$ -
Net difference between expected and actual experience	4,910	-
Net difference between projected and actual earnings on pension plan investments	-	3,309
Changes in proportion and differences between District contributions and proportionate share of contributions	<u>3,217</u>	<u>180,783</u>
Total	\$ <u>30,229</u>	\$ <u>184,092</u>

The \$3,217 allocation of deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date (i.e. for the year ending December 31, 2015, the plan measurement date is June 30, 2015) will be included as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts allocated as deferred outflows of resources and deferred inflows of resources related to pensions will be included in the pension expense as follows:

<u>Year Ended June 30:</u>	<u>PERS</u>
2016	\$ (46,929)
2017	(46,929)
2018	(46,929)
2019	10,946
2020	(24,021)
Thereafter	

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

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2015

Note 16 – Pension (continued)

A. Public Employees’ Retirement System (PERS) (continued)

Actuarial Assumptions (continued)

	<u>PERS</u>
Measurement date	June 30, 2015
Actuarial valuation date	July 1, 2014
Investment rate of return	7.90%
Salary scale	2012-2021 – 2.15-4.40% Based on Age Thereafter – 3.15-5.40% Based on Age

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

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

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

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2015

Note 16 – Pension (continued)

A. Public Employees' Retirement System (PERS) (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	<u>4.25%</u>	5.12%
Total	100.00%	

Discount Rate – The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on these assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90% or 1-percentage-point higher (5.90%) than the current rate:

	1% Decrease <u>(3.90%)</u>	Current Discount Rate <u>(4.90%)</u>	1% Increase <u>(5.90%)</u>
District's proportionate share of the net pension liability	\$255,788	\$205,803	\$163,896

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2015

Note 16 – Pension (continued)

B. Police and Firemen’s Retirement System (PFRS)

Plan Description – The State of New Jersey, Police and Firemen’s Retirement System (PFRS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PFRS, please refer to the Division’s Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

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

The following represents the membership tiers for PFRS:

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

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

Basis of Presentation – The schedules of employer and non-employer allocations and the schedules of pension amounts by employer and non-employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PFRS, its participating employers or the State as a non-employer entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PFRS, the participating employers, or the State. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PFRS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2015

Note 16 – Pension (continued)

B. Police and Firemen’s Retirement System (PFRS) (continued)

Contributions – The contribution policy for PFRS is set by *N.J.S.A. 43:16A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State’s contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2015, the State contributed an amount less than the actuarially determined amount. The Local employers’ contribution amounts are based on the actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Three-Year Trend Information for PFRS

<u>Year Funding</u>	<u>Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/15	\$ 51,711	100%	\$ 1,191,149
12/31/14	44,876	100%	846,898
12/31/13	28,398	100%	817,714

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

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2015

Note 16 – Pension (continued)

B. Police and Firemen’s Retirement System (PFRS) (continued)

Components of Net Pension Liability – At December 31, 2015, the District reported a liability of \$1,191,149 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The District’s proportion of the net pension liability was based on the District’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2015. The District’s proportion measured as of December 31, 2015, was .00715%, which was an increase from its proportion of .00673% measured as of December 31, 2014.

Collective Balances at December 31, 2015 and December 31, 2014

	<u>12/31/2015</u>	<u>12/31/2014</u>
Actuarial valuation date	July 1, 2014	July 1, 2013
Deferred Outflows of Resources	\$ 376,225	\$ 148,298
Deferred Inflows of Resources	31,005	\$ 86,423
Net Pension Liability	\$ 1,191,149	\$ 846,898
District’s portion of the Plan’s total net pension liability	0.00715%	0.00673%

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended December 31, 2015 the District recognized pension expense of \$125,451. At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 219,916	\$ -0-
Net difference between expected and actual experience		10,274
Net difference between projected and Earnings on pension plan investments		20,731
Changes in proportion and differences between District contributions and proportionate share of contributions	<u>98,180</u>	<u>-0-</u>
	<u>\$ 318,096</u>	<u>\$ 31,005</u>

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2015

Note 16 – Pension (continued)

B. Police and Firemen’s Retirement System (PFRS) (continued)

Pension Expense and Deferred Outflows/Inflows of Resources (continued)

\$58,129 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date (i.e. for the District year ending December 31, 2015, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net pension liability in the year ended December 31, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>PFRS</u>
2016	\$ 62,683
2017	62,683
2018	62,683
2019	84,289
2020	23,999
Thereafter	-0-

Additionally, the State’s proportionate share of the net pension liability attributable to the District is \$104,460 as of December 31, 2015. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The State’s proportion of the net pension liability associated with the Borough was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The State’s proportion measured as of June 30, 2015 was .00466% which was an increase of 100% from its proportion measured as of June 30, 2014, which is the same proportion as the District’s.

District’s Proportionate Share of the Net Pension Liability	\$1,191,149
State’s Proportionate Share of the Net Pension Liability Associated with the District	<u>104,460</u>
Total Net Pension Liability	<u>\$1,295,609</u>

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

**Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2015**

Note 16 – Pension (continued)

B. Police and Firemen’s Retirement System (PFRS) (continued)

Actuarial Assumptions (continued)

	<u>PFRS</u>
Measurement date	June 30, 2015
Actuarial valuation date	July 1, 2014
Interest Rate	7.90%
Salary scale	2012-2021 – 2.60 -9.48% Based on Age Thereafter – 3.60% - 10.48% Based on Age
Inflation rate	3.04%

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

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

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

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2015

Note 16 – Pension (continued)

B. Police and Firemen’s Retirement System (PFRS) (continued)

Long-Term Expected Rate of Return (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-.040%
REIT	<u>4.25%</u>	5.12%
Total	100.00%	

Discount Rate – The discount rate used to measure the total pension liability was 5.39% as of June 30, 2015. This single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made the current member contribution rates, and that contributions from employers will be made on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2045. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2045, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District’s proportionate share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the District’s

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2015 -

Note 16 – Pension (continued)

B. Police and Firemen’s Retirement System (PFRS) (continued)

Sensitivity of the District’s proportionate share of the Net Pension Liability to Changes in the Discount Rate (continued)

proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.79%) or 1-percentage-point higher (6.79%) than the current rate:

	1% Decrease <u>(4.79%)</u>	Current Discount <u>(5.79%)</u>	1% Increase <u>(6.79%)</u>
District’s proportionate share of The net pension liability	\$1,544,222	\$1,191,149	\$903,373

Note 17 – Prior Period Adjustment/Restatement

Net position as of January 1, 2015, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

	<u>Governmental Activities</u>
Net position as previously reported at December 31, 2014	\$ 2,218,691
Prior Period Adjustment- Implementation of GASB 68:	
Net pension liability (measurement date 6/30/14)	(1,014,756)
PERS Pension Payable (2015 Pension Contribution)	(7,391)
PFRS Pension Payable (2015 Pension Contribution)	(51,711)
Deferred Outflows (measurement date 6/30/14)	101,865
Deferred Inflows (measurement date 6/30/14)	<u>(317,925)</u>
 Total Prior Period Adjustment	 <u>(1,289,918)</u>
 Net position as restated, January 1, 2015	 <u>\$ 928,773</u>

Note 18 - Due from Jackson Township Fire District #1

In anticipation of consolidation of Jackson Township District #1 and #2 (see Note 19), pursuant to a Shared Service Agreement, Jackson Township Fire District #2 undertook various responsibilities relative to District #1 in the latter part of 2015 for which they would be reimbursed by District #1.

Jackson Township Fire District No. 2
Notes to Financial Statements
December 31, 2015

Note 18 - Due from Jackson Township Fire District #1 (continued)

At December 31, 2015 Jackson Township Fire District #1 owed Jackson Township Fire District #2 \$188,578 in shared service reimbursement.

Note 19 – Subsequent Event

Effective January 1, 2016 Jackson Township Fire District #1 ceased to exist. Jackson Township Fire District #2 took title to all of Jackson Fire District #1's assets and assumed responsibility for all liabilities. All existing fire houses will remain open and functional. All District #1's employees became employees of District #2. By resolution dated November 13, 2014 the commissioners of Jackson Township Fire District #2 authorized the consolidation of Fire District #1 and Fire District #2. By resolution dated January 12, 2015 the commissioners of Jackson Township Fire District #1 endorsed the consolidation of Fire District #1 and Fire District #2. By resolution dated September 8, 2015 the Township of Jackson authorized an application to the Local Finance Board for dissolution of the Jackson Township Fire District #1 pursuant to N.J.S.A. 40A: 14-91.

REQUIRED SUPPLEMENTARY INFORMATION
PART II

BUDGETARY COMPARISON SCHEDULES

Jackson Township Fire District No. 2
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2015

Revenues	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Miscellaneous Anticipated Revenues					
Rental income	\$ 60,000	\$ -	\$ 60,000	\$ 39,241	\$ (20,759)
Shared services	25,000	-	25,000	10,000	(15,000)
Interest on investments and deposits	1,500	-	1,500	2,682	1,182
Total Miscellaneous Anticipated Revenues	86,500	-	86,500	51,923	(34,577)
Operating Grant Revenue					
Supplemental Fire Services Grant	4,648	-	4,648	3,257	(1,391)
Miscellaneous Revenues Offset With Appropriations					
Fines and penalties	28,300	-	28,300	24,995	(3,305)
Total Miscellaneous Revenues Offset With Appropriations	28,300	-	28,300	24,995	(3,305)
Amount to be Raised by Taxation to Support the District Budget	1,068,160	-	1,068,160	1,068,160	-
Total Anticipated Revenues	1,187,608	-	1,187,608	1,148,335	(39,273)
Non-Budgetary Revenues					
Sale of assets	-	-	-	1,100,000	1,100,000
Total Non-Budgetary Revenues	-	-	-	1,100,000	1,100,000
Total Revenues	1,187,608	-	1,187,608	2,248,335	1,060,727

Jackson Township Fire District No. 2
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2015

Expenditures	Original Budget	Budget Transfers	Final Budget	Actual	Variance (Positive) Negative Final to Actual
Operating Appropriations					
Administration					
Salary and Wages					
Commissioners	\$ 8,750		\$ 8,750	\$ 8,750	\$ -
Secretary	63,253	5,800	69,053	68,973	(80)
Fringe benefits	28,792	(12,600)	16,192	6,740	(9,452)
Other Expenses					
Elections	1,200	200	1,400	1,358	(42)
Membership/dues	300		300		(300)
Office expenses	4,000	1,200	5,200	5,186	(14)
Professional services	50,000	(1,400)	48,600	46,532	(2,068)
Travel expenses	200		200		(200)
Total Administration	156,495	(6,800)	149,695	137,539	(12,156)
Cost of Operations and Maintenance					
Salary and Wages					
Firefighters	346,057	34,200	380,257	353,421	(26,836)
Fringe benefits	161,908	16,000	177,908	146,475	(31,433)
Other Expenses					
Advertising	3,000		3,000	2,708	(292)
Insurance	115,000	11,900	126,900	126,813	(87)
Maintenance & repairs	100,000	8,400	108,400	108,386	(14)
Rental charges	18,000		18,000	16,520	(1,480)
Supplies expense	35,000	(13,700)	21,300	17,395	(3,905)
Training & education	20,000		20,000	11,824	(8,176)
Uniforms	25,000		25,000	18,750	(6,250)
Utilities	40,000		40,000	28,415	(11,585)
Other rentals	30,000		30,000	30,000	-
SFSG expenses	4,648		4,648		(4,648)
Contingent expenses	2,500		2,500		(2,500)
Joint District expenses	50,000	(50,000)	-		-
Other Assets - Non bondable	65,000		65,000	40,354	(24,646)
Total Cost of Operations and Maintenance	1,016,113	6,800	1,022,913	901,061	(121,852)

(Continued)

Exhibit C-1

Jackson Township Fire District No. 2
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance (Positive) Negative Final to Actual
Expenditures (continued)					
Operating Appropriations Offset with Revenues					
Salary and Wages	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Appropriations Offset with Revenues	-	-	-	-	-
Other Budgeted Appropriations	15,000		15,000	15,000	-
Length of Service Award Program					
Total Other Budgeted Appropriations	15,000	-	15,000	15,000	-
Total Expenditures	<u>1,187,608</u>	<u>-</u>	<u>1,187,608</u>	<u>1,053,600</u>	<u>(134,008)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	1,194,735	\$ 1,194,735
Fund Balance, January 1				479,456	
Fund Balance, December 31				<u>\$ 1,674,191</u>	
Recapitulation:					
Unreserved Fund Balance				<u>\$ 1,674,191</u>	

Jackson Township Fire District No. 2
Note to Budgetary Comparison Schedule
December 31, 2015

Note A. Budgets/ Budgetary Control

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

The Commissioners must introduce and adopt the annual budget not later than sixty days prior to the annual election. At introduction, the Commissioners shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the 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 Commissioners may, by majority vote, adopt the budget.

Amendments may be made to the District budget in accordance with N.J.S.A. 40A:14-78.3. The budget may not be amended subsequent to its final adoption and approval. Subsequent to the adoption of the District budget, the amount of money to be raised by taxation in support of the 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 District's basic fund financial statements.

Amounts reported under "final budget" on Exhibit C-1 include modifications to the adopted budgets that were made during the year as approved by the Commissioners.

PERS AND PFRS PENSION SCHEDULES

Jackson Township Fire District No. 2
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employee's Retirement System
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.00092%	0.00090%	0.00227%
District's proportionate share of the net pension liability (asset)	\$ 205,803	\$ 167,858	\$ 443,563
District's covered employee payroll	\$ 66,400	\$ 63,240	\$ 62,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	310%	265%	715%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	52.08%	48.72%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**Jackson Township Fire District No. 2
Schedule of District Contributions
Public Employee's Retirement System
Last Ten Fiscal Years**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 7,882	\$ 7,391	\$ 17,543
Contributions in relation to the contractually required contribution	<u>\$ 7,882</u>	<u>7,391</u>	<u>17,543</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 66,400	\$ 63,240	\$ 62,000
Contributions as a percentage of covered-employee payroll	12%	12%	28%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Jackson Township Fire District No. 2
Schedule of the District's Proportionate Share of the Net Pension Liability
Police and Firemen's Retirement System
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.00715%	0.00673%	0.00615%
District's proportionate share of the net pension liability (asset)	\$ 1,191,149	\$ 846,898	\$ 817,714
District's covered employee payroll	\$ 298,100	\$ 271,968	\$ 212,648
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	400%	311%	385%
Plan fiduciary net position as a percentage of the total pension liability	56.31%	62.41%	58.70%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**Jackson Township Fire District No. 2
Schedule of District Contributions
Police and Firemen's Retirement System
Last Ten Fiscal Years**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 58,129	\$ 51,711	\$ 44,876
Contributions in relation to the contractually required contribution	<u>\$ 58,129</u>	<u>51,711</u>	<u>44,876</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 298,100	\$ 271,967	\$ 212,648
Contributions as a percentage of covered-employee payroll	19%	19%	21%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Jackson Township Fire District No. 2
Note to Required Supplementary Information
December 31, 2015

Public Employees' Retirement System (PERS)

Basis of Presentation - The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. The numbers were derived in a report provided by KPMG dated April 14, 2016. The full report is available by the State of New Jersey, Division of Pension and Benefits. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

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

Changes of assumptions - Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Police and Firemen's Retirement System (PFRS)

Basis of Presentation - The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. The numbers were derived in a report provided by KPMG dated April 19, 2016. The full report is available by the State of New Jersey, Division of Pension and Benefits. Such preparation requires management of the Police and Firemen's Retirement System (PFRS) to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

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

Change of assumptions - Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality with adjustments for mortality improvements from the base year of 2011 based on Projection Scale AA.

OTHER SUPPLEMENTARY INFORMATION

CAPITAL PROJECTS FUND

Jackson Township Fire District No. 2
 Summary Statement of Project Expenditures
 For the Year Ended December 31, 2015

Issue/Project Title	Authorized Appropriations		Expenditures/Cancellations to Date		Unexpended Balance
	Date	Amount	Prior Years	Current Year	
Building Improvements	12/28/2011	\$ 210,000	\$ 38,209	\$ -	\$ 171,791
Roof Replacement	12/13/2007	35,000			35,000
Parking Lot Paving	12/13/2007	90,000	87,001		2,999
Curbing/Apron Replacement	12/13/2007	50,000			50,000
Total		\$ 385,000	\$ 125,210	\$ -	\$ 259,790

**Jackson Township Fire District No. 2
Budgetary Comparison Schedule
Capital Fund
For the Year Ended December 31, 2015**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance (Positive) Negative Final to Actual
Revenues					
Amount to be raised by taxation to Support the District Budget	\$ -	\$ -	\$ -	\$ -	\$ -
Interest earned	-	-	-	390	(390)
Total Revenues	-	-	-	390	(390)
Expenditures					
Capital expenditures	-	-	-	-	-
Total Expenditures	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	390	(390)
Fund balance January 1	-	-	-	718,534	(718,534)
Fund balance, December 31	\$ -	\$ -	\$ -	\$ 718,924	\$ (718,924)

LONG-TERM DEBT

Jackson Township Fire District No. 2
 Schedule of Obligations Under Capital Leases
 For the Year Ended December 31, 2015

<u>Description</u>	<u>Date of Lease</u>	<u>Original Issue</u>	<u>Annual Principal Payments</u>		<u>Interest Rate</u>	<u>Balance Jan. 1, 2015</u>	<u>Retired</u>	<u>Balance Dec. 31, 2015</u>
			<u>Date</u>	<u>Amount</u>				
2008 Fire Truck	2/8/10	\$ 474,750	03/15/16	48,197	5.76%	\$ 315,966	\$ 45,572	\$ 270,394
			03/15/17	50,973		\$ 315,966	\$ 45,572	\$ 270,394
			03/15/18	53,909				
			03/15/19	57,015				
			Thereafter	60,300				
				<u>\$ 270,394</u>				

Jackson Township Fire District No. 2
 Budgetary Comparison Schedule
 Debt Service Fund
 For the Year Ended December 31, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Revenues					
Amount to be raised by taxation to Support the District Budget	\$ 63,771	-	\$ 63,771	\$ 63,771	\$ -
Expenditures					
Regular Debt Service					
Lease purchase interest	18,199	-	18,199	18,199	-
Lease purchase principal	45,572	-	45,572	45,572	-
Total Expenditures	63,771	-	63,771	63,771	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-
Fund balances, January 1	-	-	-	-	-
Fund balances, December 31	\$ -	\$ -	\$ -	\$ -	\$ -

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**Jackson Township Fire District No. 2
Findings and Recommendations
For the Year Ended December 31, 2015**

Schedule of Current Financial Statement Findings

NONE

**Jackson Township Fire District No. 2
Findings and Recommendations
For the Year Ended December 31, 2015**

Schedule of Prior Year Financial Statement Findings

NONE