



**LITTLE EGG HARBOR TOWNSHIP
FIRE DISTRICT NO. 2
OCEAN COUNTY, NEW JERSEY**

Financial Statements

December 31, 2014 and 2013

With Independent Auditors' Report

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
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December 31, 2014 and 2013

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Board of Fire Commissioners
Little Egg Harbor Township Fire District #2
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MANAGEMENT’S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Little Egg Harbor Township Fire District No. 2’s financial performance provides an overview of the District’s financial activities for the years ended December 31, 2014 and 2013.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statements of Net Position and Governmental Funds Balance Sheet and the Statement of Revenues, Expenses and Changes in Governmental Fund Balances and Net Position provide information about the activities of the District as a whole and present a long term view of the District’s finances. For governmental activities, these statements tell how district services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District’s operations in more detail than the government-wide statements by providing information about the District’s most significant funds. The remaining statements provide financial information about activities for which the District acts solely as a Board for the benefit of those outside of the government.

Reporting on the District as a Whole

The Statements of Net Position and Governmental Funds Balance Sheet and the Statements of Revenues, Expenses and Changes in Governmental Fund Balances and Net Position

One of the most important questions asked about the District’s finances is, “Is the District as a whole better off or worse off as a result of the year’s activities?” The Statements of Net Position and Governmental Funds Balance Sheet and the Statement of Revenues, Expenses and Changes in Governmental Fund Balances and Net Position report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District’s net position and changes in them. You can think of the District’s net position – the difference between assets and liabilities – as one way to measure the District’s financial health, or financial position. Over time, increases or decreases in the District’s net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District’s property tax base and the condition of the District’s equipment to assess the overall health of the District.

In the Statements of Net Position and Governmental Funds Balance Sheet and the Statement of Revenues, Expenses and Changes in Governmental Fund Balances and Net Position, we divide the District into two kinds of activities;

Little Egg Harbor Township Fire District #2

Management's Discussion and Analysis (continued)

- General Fund activities – Most of the District's basic services are reported here. Property Tax Levies finance most of these activities.
- Capital Fund activities – The District's equipment acquisitions are financed by prior levies and approved by the taxpayers. The District's acquisitions are reported here.

Reporting on the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants.

- General funds – Most of the District's basic services are reported in general funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The general fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. General fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between general fund activities (reported in the Statements of Net Position and Governmental Funds Balance Sheet and the Statement of Revenues, Expenses and Changes in Governmental Fund Balances and Net Position) and capital funds in reconciliation at the bottom of the fund financial statements.

The District as a Board

Reporting on the District's Fiduciary Responsibilities

The District is a board of commissioners that are charged with the safety and protection of the residents within its boundaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

For the years ended December 31, 2014 and 2013, net position changed as follows:

	2014 GAAP Basis		Total	Increase (Decrease) over 2013	Percentage Increase (Decrease)
	General Fund Activities	Capital Fund Activities			
Assets					
Current and other assets	\$ 902,138	\$ -	\$ 902,138	\$ 168,112	22.90%
Capital assets	-	777,073	777,073	(136,399)	-14.93%
Total assets	<u>\$ 902,138</u>	<u>\$ 777,073</u>	<u>\$ 1,679,211</u>	<u>\$ 31,713</u>	1.92%
Total liabilities	\$ 52,453	\$ 570,956	\$ 623,409	\$ (111,680)	-15.19%
Net position					
Net investment in capital assets			206,117	(4,518)	-2.14%
Restricted for capital acquisitions			-	(54,578)	-100.00%
Unrestricted			851,409	204,213	31.55%
Total net position			<u>1,057,526</u>	<u>145,117</u>	15.90%
Total liabilities and net position			<u>\$ 1,680,935</u>	<u>\$ 33,437</u>	2.03%

Little Egg Harbor Township Fire District #2

Management's Discussion and Analysis (continued)

	2013 GAAP Basis		Total	Increase (Decrease) over 2012	Percentage Increase (Decrease)
	General Fund Activities	Capital Fund Activities			
Assets					
Current and other assets	\$ 734,026	\$ -	\$ 734,026	\$ 145,684	24.76%
Capital assets	-	913,472	913,472	(94,970)	-9.42%
Total assets	<u>\$ 734,026</u>	<u>\$ 913,472</u>	<u>\$ 1,647,498</u>	<u>\$ 50,714</u>	3.18%
Total liabilities	\$ 32,252	\$ 702,837	\$ 735,089	\$ (119,967)	-14.03%
Net position					
Net investment in capital assets			210,635	31,276	17.44%
Restricted for capital acquisitions			54,578	-	0.00%
Unrestricted			647,196	139,405	27.45%
Total net position			<u>912,409</u>	<u>170,681</u>	23.01%
Total liabilities and net position			<u>\$ 1,647,498</u>	<u>\$ 50,714</u>	3.18%

In both years, the District's increase in net position signifies an improved financial condition.

Governmental Activities

The General Fund is mainly to provide fire protection to its residents, educate the public as to fire prevention and precaution, and to train qualified personnel. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose. Capital Fund Activities are mainly to provide for the acquisition of major fire equipment for fire extinguishment.

THE DISTRICT'S FUNDS

The following schedules present a summary of general, capital fund revenues and expenditures for the fiscal year ended December 31, 2014 and 2013 and the amount and percentage of increases and decreases in relation to the prior years.

	2014 GAAP Basis	Percentage of Total Revenues	Increase (Decrease) over 2013	Percentage Increase (Decrease)
Revenues				
District taxes	\$ 563,973	100.00%	\$ 9,328	1.68%
Miscellaneous income	-	0.00%	(20,048)	-100.00%
	<u>\$ 563,973</u>	<u>100.00%</u>	<u>\$ (10,720)</u>	-1.87%

For the year ended December 31, 2014, the District experienced a slight decrease in total revenue of approximately \$11,000 or 2%. The decrease related to miscellaneous income as to no insurance claim proceeds in current year.

	2013 GAAP Basis	Percentage of Total Revenues	Increase (Decrease) over 2012	Percentage Increase (Decrease)
Revenues				
District taxes	\$ 554,645	96.51%	\$ 9,580	1.76%
Interest	-	0.00%	(17)	-100.00%
Miscellaneous income	20,048	3.49%	(14,307)	-41.64%
	<u>\$ 574,693</u>	<u>100.00%</u>	<u>\$ (4,744)</u>	-0.82%

Little Egg Harbor Township Fire District #2

Management's Discussion and Analysis (continued)

For the year ended December 31, 2013, the District experienced a small decrease in total revenue of approximately \$5,000 or 1%. The decrease related to miscellaneous income as to smaller of insurance claim proceeds than the amount received in prior year.

	2014 GAAP Basis	Percentage of Total Expenditures	Increase (Decrease) over 2013	Percentage Increase (Decrease)
Expenditures				
Elections	\$ 843	0.21%	\$ (10)	-1.17%
Office supplies	1,196	0.28%	682	132.68%
Office services	2,000	0.48%	-	0.00%
Professional services	21,647	5.15%	4,023	22.83%
Travel expenses	3,752	0.89%	203	5.72%
Fringe benefits	41,170	9.79%	4,188	11.32%
Advertising	478	0.11%	(417)	-46.59%
Insurance	25,390	6.04%	1,722	7.28%
Maintenance and repairs	24,370	5.79%	(2,781)	-10.24%
Membership and dues	300	0.07%	-	0.00%
Non-bondable assets	6,267	1.49%	339	5.72%
Supplies expense	81	0.02%	(282)	-77.69%
Training and education	670	0.16%	670	100.00%
Uniforms - clothing & equipment	5,729	1.36%	4,784	506.24%
Utilities	5,841	1.39%	(1,705)	-22.59%
Fire protection services	71,000	16.88%	3,000	4.41%
Interest expense	31,179	7.41%	(5,635)	-15.31%
Other rentals	34,587	8.22%	2,842	8.95%
Depreciation expenses	144,080	34.26%	4,945	3.55%
	<u>\$ 420,580</u>	<u>100.00%</u>	<u>\$ 16,568</u>	4.10%

Some expenditures are contractual in nature and because of market fluctuations, they can vary from year to year depending on the circumstances. Overall, the District experienced an increase in total expenditures of approximately \$15,000 or 4%, mainly due to increased uniforms and fire protection services.

	2013 GAAP Basis	Percentage of Total Expenditures	Increase (Decrease) over 2012	Percentage Increase (Decrease)
Expenditures				
Elections	\$ 853	0.21%	\$ (412)	-32.57%
Office supplies	514	0.13%	(686)	-57.17%
Office services	2,000	0.50%	-	0.00%
Professional services	17,624	4.36%	(3,624)	-17.06%
Travel expenses	3,549	0.88%	(3,341)	-48.49%
Fringe benefits	36,982	9.15%	(3,197)	-7.96%
Advertising	895	0.22%	383	74.80%
Insurance	23,668	5.86%	257	1.10%
Maintenance and repairs	27,151	6.72%	(27,784)	-50.58%
Membership and dues	300	0.07%	-	0.00%
Non-bondable assets	5,928	1.47%	(7,583)	-56.12%
Supplies expense	363	0.09%	363	100.00%
Uniforms - clothing & equipment	945	0.23%	(143)	-13.14%

Little Egg Harbor Township Fire District #2

Management's Discussion and Analysis (continued)

	2013 GAAP Basis	Percentage of Total Expenditures	Increase (Decrease) over 2012	Percentage Increase (Decrease)
Utilities	7,546	1.87%	(2,500)	-24.89%
Fire protection services	68,000	16.83%	-	0.00%
Interest expense	36,814	9.11%	5,147	16.25%
Other rentals	31,745	7.86%	1,745	5.82%
Depreciation expenses	139,135	34.44%	(7,918)	-5.38%
	<u>\$ 404,012</u>	<u>100.00%</u>	<u>\$ (49,293)</u>	<u>-10.87%</u>

Some expenditures are contractual in nature and because of market fluctuations, they can vary from year to year depending on the circumstances. Overall, the District experienced a decrease in total expenditures of approximately \$49,000 or 10%, mainly due to decreased maintenance and repairs as to no major repairs.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, there was no revision to the General Fund budget. If needed, the amendment was transfer within appropriations as a precaution to avoid over expending a line item.

The budget was prepared expecting a slight increase in the district tax base. The district tax base was decreased slightly, but the tax rate increased which produced a revenue increase of approximately \$9,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

For the year ended December 31, 2014 and 2013, capital assets changed as follow:

	2013 GAAP Basis	Additions	Deletions	2014 GAAP Basis	Percentage Increase (Decrease)
Capital assets					
Apparatus	\$ 146,251	\$ -	\$ -	\$ 146,251	0.00%
Equipment	397,728	7,681	144,201	261,208	-34.32%
Vehicles	1,551,940	-	-	1,551,940	0.00%
	<u>2,095,919</u>	<u>7,681</u>	<u>144,201</u>	<u>1,959,399</u>	<u>-6.51%</u>
Accumulated depreciation	1,182,447	144,080	144,201	1,182,326	-0.01%
Capital assets, net	<u>\$ 913,472</u>	<u>\$ (136,399)</u>	<u>\$ -</u>	<u>\$ 777,073</u>	<u>-14.93%</u>

Little Egg Harbor Township Fire District #2

Management's Discussion and Analysis (continued)

	2012 GAAP Basis	Additions	Deletions	2013 GAAP Basis	Percentage Increase (Decrease)
Capital assets					
Apparatus	\$ 146,251	\$ -	\$ -	\$ 146,251	0.00%
Equipment	389,457	8,271	-	397,728	2.12%
Vehicles	1,516,046	35,894	-	1,551,940	2.37%
	<u>2,051,754</u>	<u>44,165</u>	<u>-</u>	<u>2,095,919</u>	2.15%
Accumulated depreciation	1,043,312	139,135	-	1,182,447	13.34%
Capital assets, net	<u>\$ 1,008,442</u>	<u>\$ (94,970)</u>	<u>\$ -</u>	<u>\$ 913,472</u>	-9.42%

The District accounted for its purchase of equipment and vehicle.

Debts

At year end, the District had \$570,956 in capital leases payable outstanding versus \$702,837 last year – a decrease of 19%. More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Next year's general fund budget was determined based on no increase in the district tax rate. Some of the significant capital asset items approved in this year's budget will be deferred to subsequent years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our District's citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Clerk's office at 827B Radio Road, Little Egg Harbor, New Jersey, 08087.



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Independent Auditors' Report

Board of Fire Commissioners
Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Little Egg Harbor Township Fire District No. 2, Ocean County, New Jersey as of and for the years ended December 31, 2014 and 2013, and related notes to the financial statements, which collectively comprise Little Egg Harbor Township Fire District No. 2's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Little Egg Harbor Township Fire District No. 2's 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.

Auditors' Responsibility

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

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



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Little Egg Harbor Township Fire District No. 2, Ocean County, New Jersey as of December 31, 2014 and 2013, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The accounting principles generally accepted in the United States of America required that the Management's Discussion and Analysis on page A1 through A6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Little Egg Harbor Township Fire District No. 2's basic financial statements. The accompanying financial information listed as Supplementary Information and Other Schedules, as listed in the table of contents, is presented for purposes of additional analysis and is not required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 and 2013 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information and Other Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Statistical Information and Roster of Officials have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2015 on our consideration of the Little Egg Harbor Township Fire District No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over



financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Little Egg Harbor Township Fire District No. 2's internal control over financial reporting and compliance.

Wilhem Smith + Brown, PC

Toms River, NJ

May 12, 2015

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**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Independent Auditors' Report

Board of Fire Commissioners
Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, in compliance with the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Little Egg Harbor Township Fire District No. 2, Ocean County, New Jersey, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise Little Egg Harbor Township Fire District No. 2's basic financial statements, and have issued our report thereon dated May 12, 2015.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered Little Egg Harbor Township Fire District No. 2's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Little Egg Harbor Township Fire District No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of Little Egg Harbor Township Fire District No. 2's internal control.

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Little Egg Harbor Township Fire District No. 2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilhem Smith + Brown, PC

Toms River, New Jersey

May 12, 2015

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2014

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Position</u>
Assets					
Cash	\$ 879,582	\$ -	\$ 879,582	\$ -	\$ 879,582
Prepaid expenses	22,556	-	22,556	-	22,556
Interfund receivable	-	590,278	590,278	(590,278)	-
Deferred charges to future taxation	-	773,058	773,058	(773,058)	-
Capital assets, net	-	-	-	777,073	777,073
Total assets	<u>\$ 902,138</u>	<u>\$ 1,363,336</u>	<u>\$ 2,265,474</u>	<u>\$ (586,263)</u>	<u>\$ 1,679,211</u>
Liabilities					
Current liabilities:					
Accounts payable	\$ 7,337	\$ -	\$ 7,337	\$ -	\$ 7,337
Accrued expenses	8,900	-	8,900	-	8,900
Reserve for LOSAP trust	36,216	-	36,216	-	36,216
Interfund payable	590,278	-	590,278	(590,278)	-
Improvement authorizations	-	202,102	202,102	(202,102)	-
Capital lease payable - current	-	71,351	71,351	-	71,351
Total current liabilities	642,731	273,453	916,184	(792,380)	123,804
Other liabilities:					
Capital lease payable - long-term	-	499,605	499,605	-	499,605
Total liabilities	642,731	773,058	1,415,789	(792,380)	623,409
Fund Balances and Net Position					
Fund balances:					
Committed:					
Capital improvements	-	590,278	590,278	(590,278)	-
Assigned:					
Appropriation reserves	107,411	-	107,411	(107,411)	-
Designated for subsequent years' expenditures	46,000	-	46,000	(46,000)	-
Unassigned:					
General fund	105,996	-	105,996	(105,996)	-
Total fund balances	259,407	590,278	849,685	(849,685)	-
Total liabilities and fund balances	<u>\$ 902,138</u>	<u>\$ 1,363,336</u>	<u>\$ 2,265,474</u>		
Net position:					
Net investment in capital assets				206,117	206,117
Unrestricted				849,685	849,685
Total net position				<u>\$ 1,055,802</u>	<u>\$ 1,055,802</u>

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

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2013

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Position</u>
Assets					
Cash	\$ 708,755	\$ -	\$ 708,755	\$ -	\$ 708,755
Due from Volunteer Fire Co. and others	3,673	-	3,673	-	3,673
Prepaid expenses	21,598	-	21,598	-	21,598
Interfund receivable	-	490,278	490,278	(490,278)	-
Deferred charges to future taxation	-	904,939	904,939	(904,939)	-
Capital assets, net	-	-	-	913,472	913,472
Total assets	<u>\$ 734,026</u>	<u>\$ 1,395,217</u>	<u>\$ 2,129,243</u>	<u>\$ (481,745)</u>	<u>\$ 1,647,498</u>
Liabilities					
Current liabilities:					
Accounts payable	\$ 2,046	\$ -	\$ 2,046	\$ -	\$ 2,046
Encumbrances payable	10,500	-	10,500	(10,500)	-
Accrued expenses	8,690	-	8,690	-	8,690
Reserve for LOSAP trust	21,516	-	21,516	-	21,516
Interfund payable	490,278	-	490,278	(490,278)	-
Improvement authorizations	-	256,680	256,680	(256,680)	-
Capital lease payable - current	-	131,881	131,881	-	131,881
Total current liabilities	<u>533,030</u>	<u>388,561</u>	<u>921,591</u>	<u>(757,458)</u>	<u>164,133</u>
Other liabilities:					
Capital lease payable - long term	-	570,956	570,956	-	570,956
Total liabilities	<u>533,030</u>	<u>959,517</u>	<u>1,492,547</u>	<u>(757,458)</u>	<u>735,089</u>
Fund Balances and Net Position					
Fund balances:					
Committed:					
Capital improvements	-	435,700	435,700	(435,700)	-
Assigned:					
Appropriation reserves	57,857	-	57,857	(57,857)	-
Designated for subsequent years' expenditures	49,000	-	49,000	(49,000)	-
Unassigned:					
General fund	94,139	-	94,139	(94,139)	-
Total fund balances	<u>200,996</u>	<u>435,700</u>	<u>636,696</u>	<u>(636,696)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 734,026</u>	<u>\$ 1,395,217</u>	<u>\$ 2,129,243</u>		
Net position:					
Net investment in capital assets				210,635	210,635
Restricted for capital acquisitions				54,578	54,578
Unrestricted				647,196	647,196
Total net position				<u>\$ 912,409</u>	<u>\$ 912,409</u>

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

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Statement of Revenues, Expenses and Changes in Governmental
Fund Balances and Net Position
Year Ended December 31, 2014

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures:					
Operating appropriations	\$ 405,562	\$ -	\$ 405,562	\$ 15,018	\$ 420,580
Reserve for future capital outlays	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>
Total expenditures	505,562	-	505,562	(84,982)	420,580
Revenues and other financing sources:					
General revenues:					
District taxes	<u>563,973</u>	<u>-</u>	<u>563,973</u>	<u>-</u>	<u>563,973</u>
Total general revenues	563,973	-	563,973	-	563,973
Transfers:					
Reserve for future capital outlays	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>
Total transfers	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>
Total general revenues and transfers	<u>563,973</u>	<u>100,000</u>	<u>663,973</u>	<u>-</u>	<u>563,973</u>
Excess of revenues and transfers over expenditures	58,411	100,000	158,411	(158,411)	-
Changes in net position	-	-	-	143,393	143,393
Fund balances/ net position:					
Beginning of year	200,996	435,700	636,696	275,713	912,409
Cancellation of improvement authorizations	<u>-</u>	<u>54,578</u>	<u>54,578</u>	<u>(54,578)</u>	<u>-</u>
End of year	<u>\$ 259,407</u>	<u>\$ 590,278</u>	<u>\$ 849,685</u>	<u>\$ 206,117</u>	<u>\$ 1,055,802</u>

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

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Statement of Revenues, Expenses and Changes in Governmental
Fund Balances and Net Position
Year Ended December 31, 2013

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
Expenditures:					
Operating appropriations	\$ 445,788	\$ -	\$ 445,788	\$ (41,776)	\$ 404,012
Reserve for future capital outlays	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>
Total expenditures	545,788	-	545,788	(141,776)	404,012
Revenues and other financing sources:					
General revenues:					
District taxes	554,645	-	554,645	-	554,645
Miscellaneous income	<u>20,048</u>	<u>-</u>	<u>20,048</u>	<u>-</u>	<u>20,048</u>
Total general revenues	574,693	-	574,693	-	574,693
Transfers:					
Reserve for future capital outlays	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>
Total transfers	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>
Total general revenues and transfers	<u>574,693</u>	<u>100,000</u>	<u>674,693</u>	<u>(100,000)</u>	<u>574,693</u>
Excess of revenues and transfers over expenditures	28,905	100,000	128,905	(128,905)	-
Changes in net position	-	-	-	170,681	170,681
Fund balances / net position:					
Beginning of year	<u>172,091</u>	<u>335,700</u>	<u>507,791</u>	<u>233,937</u>	<u>741,728</u>
End of year	<u>\$ 200,996</u>	<u>\$ 435,700</u>	<u>\$ 636,696</u>	<u>\$ 275,713</u>	<u>\$ 912,409</u>

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

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2014 and 2013

1. Summary of Significant Accounting Policies

A. General Statement

The accounting policies of the Little Egg Harbor Township Fire District No. 2 (District) conform to the accounting principles generally accepted in United States of America and the standards applicable to special districts which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. For the years ended December 31, 2014 and 2013 the financial statements of the Little Egg Harbor Township Fire District No. 2 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The district is an instrumentality of the State of New Jersey, established to function as a special district. The Board of Fire Commissioners consists of elected officials and is responsible for the fiscal control of the District.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the District over which the board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

C. Basis of Presentation

Combined Fund and Government-wide Financial Statements

As a special purpose governmental entity engaged in a single governmental program the District has opted to present its financial data in the form of combined fund and government-wide financial statements to simplify their annual financial reporting process.

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

Governmental Fund Types

General Fund: The general fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund.

Capital Fund: The capital fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities.

In conformity with GASB 34, the District's combined fund and government-wide financial statements present adjustments to reconcile the general and capital fund balances to net position.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
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December 31, 2014 and 2013

The District also adopted the provisions of Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and Statement No. 65 "Items Previously Reported as Assets and Liabilities". Statement No. 63 requires Deferred Outflows of Resources be reported in a separate section after the assets, Deferred Inflows of Resources be reported in a separate section after liabilities, and replaces term "Statement of Net Assets" with "Statement of Net Position". Statement No. 65 amends the financial statement classification of certain items to be included in the deferred inflows and outflow categories.

The adoption of Governmental Accounting Standards Board Statements 34, 63 and 65 have no significant effect on the basic financial statements, except for changing the term "Net Assets" to "Net Position" throughout the financial statements in accordance with Statement No. 63.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Basis of Accounting

Fund Basis of Accounting

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

Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its fire districts the entire balance of taxes in the amount voted upon or certified prior to the end of the year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

Government-wide Basis of Accounting

The government-wide statements are presented using the accrual basis of accounting. Under the full accrual basis, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

E. Budgets/Budgetary Control

Annual budgets are prepared each year for the operations of the fire districts. The budgets are approved by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The budgets are then voted upon by the public.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and the fund basis of accounting previously described. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at year end.

F. Encumbrances

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Specific

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
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December 31, 2014 and 2013

encumbrances in governmental funds are reported as liabilities at year end as they do not constitute expenditures or rather commitments related to unperformed contracts for goods and services.

The encumbered appropriation authority carries over into the following year. The balance of the unencumbered appropriations is recorded as a reserve to fund balance for unrecorded expenditures and commitments that pertain to the prior year. At the end of the following year, an entry will be made to fund balance for the unexpended appropriations of the prior year.

G. Fixed Assets

In the fund financial statements, fixed assets used in governmental operations are accounted for as expenditures of the government fund upon acquisition.

In the government-wide basis of accounting, fixed assets are accounted for as capital assets. The District generally capitalizes assets with a cost of \$1,000 or more as outlays occur. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable.

Depreciation of all fixed assets is recorded as an operating expense in the Statements of Revenues, Expenses and Changes in Governmental Fund Balances and Net Position with accumulated depreciation reflected in the Statement of Net Position and Governmental Funds Balance Sheet. Depreciation is provided over the assets' estimated useful lives using the straight line method of depreciation, generally 5-7 years for firefighting equipment and general purpose vehicles and 12 years for fire fighting vehicles.

H. Interfund Transactions and Balances

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Transfers between the general and capital fund of the District net to zero on the Statements of Revenues, Expenses, and Changes in Governmental Fund Balances and Net Position.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those loans are reported as interfund receivables and payables on the fund basis of accounting. Interfund payables and receivables between funds are eliminated in the Statements of Net Position and Governmental Funds Balance Sheet.

I. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund. For long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

J. Net Position

Fund Basis

Fund balance is reported in classifications depicting the relative strength of the constraint that controls how specific amounts can be spent. Classifications are as follow:

- **Nonspendable** – includes amounts that are not in a spendable form or not expected to be converted to cash (inventory, for example) or are legally and contractually required to be maintained intact (principal of an endowment fund, for example).
- **Restricted** – includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors, contributors, creditors, or law or regulations of other governments or through enabling legislation that creates a new revenue source and restricts its use. Restrictions may be changed or lifted with the consent of resource providers.
- **Committed** – includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority, the Board of Commissioners. The constraint can only be removed or changed by taking the same type of

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Notes to Financial Statements
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action the District employed to commit those amounts. Such formal action consists of an affirmative vote by the Board of Commissioners.

- Assigned – comprises amounts intended to be used by the District for specific purposes, but are neither restricted nor committed. Intent is expressed by the District Board of Commissioners.
- Unassigned – this is the residual amount for the General Fund, and represents fund balance that has not been restricted, committed, or assigned. 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, it may be necessary to report a negative unassigned fund balance.

Government-wide Basis

Net position is displayed in three components:

- Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and related debt.
- Restricted for capital acquisitions – Current balance consists of net position restricted to the acquisition of a fire truck
- Unrestricted net position – All net position that do not meet the definition of “restricted” or “net investment in capital assets”.

K. Advertising

The District expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2014 and 2013 approximated \$500 and \$900, respectively.

2. Adjustment to Arrive at Net Position

A. Interfund Receivables and Payables

For the years ended December 31, 2014 and 2013 interfund receivables and payables in the amount of \$590,278 and \$490,278, respectively, have been eliminated in arriving at the government-wide presentation.

B. Capital Assets – Net and Net Investment in Capital Assets

For the years ended December 31, 2014 and 2013 capital assets, net in the amount of \$777,073 and \$913,472, respectively, and net investment in capital assets in the amount of \$206,117 and \$210,635, respectively, have been included in the government-wide presentation.

C. Fund Balances, Unrestricted Net Position, and Net Position Restricted for Capital Acquisitions

For the years ended December 31, 2014 and 2013 fund balances in the amount of \$849,685 and \$636,696, respectively, have been eliminated. Unrestricted net position in the amount of \$849,685 and \$647,196, respectively, and net position restricted for capital acquisitions in the amount of \$0 and \$54,578, respectively, have been included in the government-wide presentation.

D. Improvement Authorizations:

Improvement authorizations, which are liabilities that represent the District's earmarking of fund balance for a specified future project, do not represent liabilities as defined by U.S. generally accepted accounting principles. Therefore, for the years ended December 31, 2014 and 2013 improvement authorizations in the amount of \$202,102 and \$256,680, respectively, have been eliminated in arriving at the government-wide presentation.

E. Deferred Charges to Future Taxation

For the years ended December 31, 2014 and 2013 deferred charges to future taxation in the amount of \$773,058 and \$904,939, respectively, have been eliminated in arriving at the government-wide presentation.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2014 and 2013

F. Encumbrances Payable

Encumbrances payable that represent the District's commitment to purchase certain goods but which have not been received by the District do not represent liabilities as defined by U.S. generally accepted accounting principles. No encumbrances payable have been eliminated for the year ended December 31, 2014. For the year ended December 31, 2013, encumbrances payable in the amount of \$10,500 have been eliminated in arriving at the government-wide presentation.

3. Adjustments to Arrive at the Changes in Net Position

A. Operating Appropriations

For the year ended December 31, 2014 depreciation expense in the amount of \$144,080 has been included in the government-wide presentation. Additionally, to account for fixed asset purchases expensed under the fund basis of accounting, maintenance and repairs expense has been increased by \$10,500 and non-bondable assets have been decreased by \$7,681. In addition, principal payments on capital leases have been decreased by \$131,881. The net effect on operating appropriations is an increase of \$15,018.

For the year ended December 31, 2013 depreciation expense in the amount of \$139,135 has been included in the government-wide presentation. Additionally, to account for fixed asset purchases expensed under the fund basis of accounting, maintenance and repairs expense has been decreased by \$10,500, non-bondable assets have been decreased by \$35,894 and uniforms clothing and equipment account has been decreased by \$8,271. In addition, principal payments on capital leases have been decreased by \$126,246. The net effect on operating appropriations is a decrease of \$41,776.

B. Reserve for Future Capital Outlays and Related Transfer

For the years ended December 31, 2014 and 2013, reserve for future capital outlays and related transfer have been reduced by \$100,000 in each year on the government-wide presentation to eliminate the general fund expenditure and capital fund revenue related to the creation of improvement authorizations.

4. Deposits and Investments

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation ("FDIC"), or by any other agency of the United States that insures deposits or the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5 percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent. All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. The State of New Jersey Cash Management fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which mature within one year. Collateralization of fund investments is generally not required.

The cash on deposit is partially insured by federal deposit insurance in the amount of \$250,000 in each depository. Balances above the federal deposit insurance amount are insured by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., which insures all New Jersey governmental units' deposits in excess of the federal deposit insurance maximums.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2014 and 2013

Cash determined by the Board of Commissioners, consists of all bank accounts including certificates of deposits.

Investments

New Jersey statutes establish the following securities as eligible for the investment of District funds:

- (a) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (b) Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Associates or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- (c) Bonds or other obligations of the District or bonds or other obligations of school districts of which the district is a part or within which the school district is located.
- (d) Bonds or other obligations, having a maturity date of not more than twelve months from the date of purchase that are approved by the New Jersey Department of Treasury Division of Investments.
- (e) Qualified mutual funds with portfolios limited to (i) bonds or other obligations of, or guaranteed by, the United States of America; and (ii) repurchase agreements fully collateralized by such obligations. These investments must be transacted only through national or state banks located within New Jersey.

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

As of December 31, 2014 and 2013 the District's cash accounts consisted of:

	2014	2013
Sun National Bank – Checking	\$ 878,782	\$ 707,955
Petty Cash	800	800
Total Cash	<u>\$ 879,582</u>	<u>\$ 708,755</u>

The carrying amount of the Board's cash and cash equivalents at December 31, 2014 was \$879,582 and the bank balance was \$878,782. Of the balance, \$250,000 was covered by federal depository insurance and \$628,782 was covered by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., for all New Jersey governmental units' deposits in excess of the federal deposit maximums.

The cash deposits held at financial institutions can be categorized according to three levels of risk as described below:

Category 1	Deposits which are covered by FDIC, or collateralized by securities held by the District or its agent, in the district's name	\$ 250,000
Category 2	Deposits which are collateralized with securities held by the pledging financial institution's trust department, or Agent in the District's name	628,782
Category 3	Deposits which are not collateralized or insured.	800

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Notes to Financial Statements
December 31, 2014 and 2013

5. Assessment and Collection of Money Authorized By Voters

Upon proper certification pursuant to Section 9 of P.L. 1979 c. 453 (C.40[A]:14-79), the assessor of the municipality, in which the fire district is situate, shall assess the amount to be raised by taxation to support the district budget against the taxable property therein, in the same manner as municipal taxes are assessed and the same amount shall be assessed, levied and collected at the same time and in the same manner as other municipal taxes.

The collector or treasurer of the municipality, in which said district is situate, shall pay over all moneys so assessed to the treasurer or custodian of funds of said fire district as follows; on or before April 1, an amount equaling 21.25% of all moneys so assessed; on or before July 1, an amount equaling 22.5% of all monies so assessed; on or before October 1, an amount equaling 25% of all monies so 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 such monies previously paid over, to be held and expended for the purpose of providing and maintaining means for extinguishing fires in such district.

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

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

6. Funding

The activities of the Little Egg Harbor Township Fire District No. 2 are primarily funded by the striking of a fire tax on the property owners of the Fire District, as provided for by state statute. For the years ended December 31, 2014 and 2013, the fire tax rate on Fire District No. 2 was \$.051 and \$.049, respectively, per \$100 of assessed valuation.

7. Long-Term Debt

Capital Lease

On November 3, 2006, the District entered into an agreement with Kansas State Bank of Manhattan to finance the purchase of one new elite tanker/pumper from Elite Fire Apparatus. The financed amount for this truck is \$449,211. The final payment was made on April 8, 2014.

On May 25, 2011, the District entered into an agreement with Capital One Public Funding to finance the purchase of one new aerial fire truck. The financed amount for this truck is \$777,898. The final payment is due on January 25, 2021.

The tables that follow provide information about the change in capital leases over the past two years for the District:

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
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December 31, 2014 and 2013

Capital Lease for	Balance at 12/31/13	Additions	Reductions	Balance at 12/31/14	Current	Non-current
Elite fire apparatus	\$ 63,557	\$ -	\$ 63,557	\$ -	\$ -	\$ -
Aerial fire truck	639,280	-	68,324	570,956	71,351	499,605
	<u>\$ 702,837</u>	<u>\$ -</u>	<u>\$ 131,881</u>	<u>\$ 570,956</u>	<u>\$ 71,351</u>	<u>\$ 499,605</u>

	Balance at 12/31/12	Additions	Reductions	Balance at 12/31/13	Current	Non-current
Elite fire apparatus	\$ 124,377	\$ -	\$ 60,820	\$ 63,557	\$ 63,557	\$ -
Aerial fire truck	704,706	-	65,426	639,280	68,324	570,956
	<u>\$ 829,083</u>	<u>\$ -</u>	<u>\$ 126,246</u>	<u>\$ 702,837</u>	<u>\$ 131,881</u>	<u>\$ 570,956</u>

Future debt service requirements for capital leases are as follows:

Fiscal Year	Payment	Interest	Principal	Principal Balance
2015	\$ 96,644	\$ 25,293	\$ 71,351	\$ 499,605
2016	96,644	22,132	74,512	425,093
2017	96,644	18,832	77,812	347,281
2018	96,644	15,384	81,260	266,021
2019	96,644	11,785	84,859	181,162
2020 and after	193,288	12,126	181,162	
	<u>\$ 676,508</u>	<u>\$ 105,552</u>	<u>\$ 570,956</u>	

8. Capital Assets

The following schedules are a summarization of the capital assets by source for the years ended December 31, 2014 and 2013:

Description	January 1, 2014	Additions	Deletions	December 31, 2014
Capital assets being depreciated:				
Apparatus	\$ 146,251	\$ -	\$ -	\$ 146,251
Equipment	397,728	7,681	144,201	261,208
Vehicles	1,551,940	-	-	1,551,940
Total	2,095,919	7,681	144,201	1,959,399
Less accumulated depreciation:				
Apparatus	146,251	-	-	146,251
Equipment	378,893	8,443	144,201	243,135
Vehicles	657,303	135,637	-	792,940
Total	1,182,447	144,080	144,201	1,182,326
Net capital assets	<u>\$ 913,472</u>	<u>\$ (136,399)</u>	<u>\$ -</u>	<u>\$ 777,073</u>

Little Egg Harbor Township Fire District No. 2
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Description	January 1, 2013	Additions	Deletions	December 31, 2013
Capital assets being depreciated:				
Apparatus	\$ 146,251	\$ -	\$ -	\$ 146,251
Equipment	389,457	8,271	-	397,728
Vehicles	1,516,046	35,894	-	1,551,940
Total	2,051,754	44,165	-	2,095,919
Less accumulated depreciation:				
Apparatus	146,251	-	-	146,251
Equipment	368,814	10,079	-	378,893
Vehicles	528,247	129,056	-	657,303
Total	1,043,312	139,135	-	1,182,447
Net capital assets	\$ 1,008,442	\$ (94,970)	\$ -	\$ 913,472

Depreciation expense for the years ended December 31, 2014 and 2013 amounted to \$144,080 and \$139,135, respectively.

In January 2014, the District wrote off various firefighting equipment that were either lost at a fire scene or scrapped. There was no gain or loss on these writeoffs.

9. Related Parties

The Board of Fire Commissioners is comprised of five elected officials. All five of the Commissioners are members of the Mystic Island Volunteer Fire Company. The District has two agreements with the fire company. One is a Fire Protection Service Agreement. In this agreement the District paid the fire company \$71,000 for the fire company to provide personnel for firematic and other emergency services. In the second agreement, the District paid the fire company \$33,000 to rent the firehouse and fire apparatus owned by the fire company.

10. Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

11. LOSAP

The District maintains a LOSAP (Length of Service Awards Program) plan. The plan is considered to be a deferred compensation plan for volunteers and the contribution is not based on compensation. New Jersey Statutes set the contribution limits. The contributions for 2014 and 2013 were \$13,800 and \$17,250, respectively.

12. Subsequent Events

The District has evaluated subsequent events occurring after December 31, 2014 through the date of May 12, 2015, which is the date the financial statements were available to be issued. Based on this evaluation, the District has determined that no subsequent events have occurred which require disclosure in the financial statements.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - All Governmental Fund Types
Year Ended December 31, 2014

	Governmental Fund Type		Total Actual Amounts			Budgeted Amounts		Budgetary Variance
	General Fund	Capital Fund	Budgetary Basis	Adjustments Note B	GAAP Basis	Original	Final	
Revenues:								
District taxes	\$ 563,973	\$ -	\$ 563,973	\$ -	\$ 563,973	\$ 563,973	\$ 563,973	\$ -
Surplus anticipated unreserved	-	-	-	-	-	49,000	49,000	(49,000)
Total revenues	563,973	-	563,973	-	563,973	612,973	612,973	(49,000)
Transfers:								
Reserve for future capital outlays	-	100,000	100,000	(100,000)	-	-	-	100,000
Total transfers	-	100,000	100,000	(100,000)	-	-	-	100,000
Total general revenues and transfers	563,973	100,000	663,973	(100,000)	563,973	612,973	612,973	51,000
Expenditures:								
Operating appropriations:								
Administration:								
Election	843	-	843	-	843	2,000	2,000	1,157
Office services	2,000	-	2,000	-	2,000	2,000	2,000	-
Office supplies	1,196	-	1,196	-	1,196	4,000	4,000	2,804
Professional services	21,647	-	21,647	-	21,647	22,000	22,000	353
Travel expenses	3,752	-	3,752	-	3,752	12,000	12,000	8,248
Total administration	29,438	-	29,438	-	29,438	42,000	42,000	12,562
Operations and maintenance								
Fringe benefits:								
LOSAP	28,500	-	28,500	-	28,500	28,500	28,500	-
Employee benefits	12,670	-	12,670	-	12,670	19,000	19,000	6,330
Total fringe benefits	41,170	-	41,170	-	41,170	47,500	47,500	6,330
Other expenses:								
Advertising	478	-	478	-	478	4,000	4,000	3,522
Insurance	25,390	-	25,390	-	25,390	30,000	30,000	4,610
Maintenance and repairs	13,870	-	13,870	10,500 (1)	24,370	46,828	46,828	32,958

See Independent Auditors' Report.
The accompanying Notes to Supplementary Information are an integral part of this schedule.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - All Governmental Fund Types
Year Ended December 31, 2014

	<u>Governmental Fund Type</u>		<u>Total Actual Amounts</u>			<u>Budgeted Amounts</u>		<u>Budgetary Variance</u>
	<u>General Fund</u>	<u>Capital Fund</u>	<u>Budgetary Basis</u>	<u>Adjustments Note B</u>	<u>GAAP Basis</u>	<u>Original</u>	<u>Final</u>	
(continued)								
Membership and dues	300	-	300	-	300	1,000	1,000	700
Non-bondable assets	13,948	-	13,948	(7,681) (1)	6,267	41,500	41,500	27,552
Supplies expense	81	-	81	-	81	500	500	419
Training and education	670	-	670	-	670	8,000	8,000	7,330
Uniforms - clothing and equipment	5,729	-	5,729	-	5,729	7,000	7,000	1,271
Utilities	5,841	-	5,841	-	5,841	12,000	12,000	6,159
Fire protection services	71,000	-	71,000	-	71,000	71,000	71,000	-
Leases principal	131,881	-	131,881	(131,881) (1)	-	131,881	131,881	-
Interest expense	31,179	-	31,179	-	31,179	31,179	31,179	-
Other rentals	34,587	-	34,587	-	34,587	38,585	38,585	3,998
Depreciation expense	-	-	-	144,080 (1)	144,080	-	-	-
Total other expenses	<u>334,954</u>	<u>-</u>	<u>334,954</u>	<u>15,018</u>	<u>349,972</u>	<u>423,473</u>	<u>423,473</u>	<u>88,519</u>
Total operations and maintenance	<u>376,124</u>	<u>-</u>	<u>376,124</u>	<u>15,018</u>	<u>391,142</u>	<u>470,973</u>	<u>470,973</u>	<u>94,849</u>
Total operating appropriations	405,562	-	405,562	15,018	420,580	512,973	512,973	107,411
Capital appropriations:								
Reserve for future capital outlays	100,000	-	100,000	(100,000)	-	100,000	100,000	-
Total capital appropriations	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total expenditures	<u>505,562</u>	<u>-</u>	<u>505,562</u>	<u>(84,982)</u>	<u>420,580</u>	<u>612,973</u>	<u>612,973</u>	<u>107,411</u>
Excess of revenue and transfers over expenditures	58,411	100,000	158,411	(158,411)	-	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,411</u>
Changes in net assets	-	-	-	143,393	143,393			
Fund balances, beginning of the year	200,996	435,700	636,696	275,713 (2)	912,409			
Cancellation of improvement authorizations	-	54,578	54,578	(54,578) (1)	-			
Fund balances, end of the year	<u>\$ 259,407</u>	<u>\$ 590,278</u>	<u>\$ 849,685</u>	<u>\$ 206,117</u>	<u>\$ 1,055,802</u>			

See Independent Auditors' Report.
The accompanying Notes to Supplementary Information are an integral part of this schedule.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Note to Supplementary Information
Year Ended December 31, 2014

A. Budgetary Basis of Accounting

There are no substantial differences between the District's budgetary basis of accounting and the fund basis of accounting described below.

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

Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its fire districts the entire balance of taxes in the amount voted upon or certified prior to the end of the year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

B. Budgetary-To-GAAP Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

	<u>Change in Fund Balance</u>
(1) Principal debt payments are reported as budgetary expenditures in the year payment is made. For GAAP purposes debt payments are not expenses, but are applied toward the reduction of debt.	\$ 131,881
Encumbrances for fixed asset purchases are reported as expenses in the year the orders are placed for budgetary purposes. For GAAP purpose, these purchases are capitalized in the year received.	(2,819)
Depreciation expense is not recorded on the budgetary basis of accounting. For GAAP purpose, capitalized assets are depreciated on a straight line basis over their respective useful lives.	(144,080)
The unexpended portions of capital projects which are subsequently cancelled are considered income in the year cancelled for budgetary purposes. For GAAP purposes, no revenue is recognized for capital projects cancelled.	<u>(54,578)</u>
Net decrease in fund balance – budget to GAAP	(69,596)
(2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the District's budget. (See Note A for a description of the District's budgetary accounting method.) This amount differs from the fund balance reported in the statement of revenues, expenditures and changes in fund balances because of the cumulative effect of transactions such as those described above.	<u>275,713</u>
	<u>\$ 206,117</u>

See Independent Auditors' Report.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Note to Supplementary Information
Year Ended December 31, 2014

C. Budget Cancellation

Regulations allow the District to cancel unexpended appropriations before year end by resolution. During the year ended December 31, 2014, the District did not cancel any of appropriations resulting in a reservation of fund balance as follows:

Adopted budget	\$ 612,973
Expenditures	<u>505,562</u>
Favorable variance	107,411
Canceled	<u>-</u>
Fund balance reserve	<u>\$ 107,411</u>

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Schedule of Deferred Charges to Future Taxation - Capital Fund
Year Ended December 31, 2014

Purpose	Balance	2014 Deferred	2014	Balance	December 31, 2014	
	December 31, 2013		Budget Appropriation	December 31, 2014	Funded	Unfunded
2007 tanker/pumper	\$ 63,557	\$ -	\$ 63,557	\$ -	\$ -	\$ -
Tanker/pumper - tank repair	40,000	-	-	40,000	-	40,000
Command vehicle	40,000	-	-	40,000	-	40,000
Aerial fire truck	761,382	-	68,324	693,058	-	693,058
	<u>\$ 904,939</u>	<u>\$ -</u>	<u>\$ 131,881</u>	<u>\$ 773,058</u>	<u>\$ -</u>	<u>\$ 773,058</u>

See Independent Auditors' Report.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Schedule of Deferred Charges to Future Taxation - Capital Fund
Year Ended December 31, 2013

Purpose	Balance	2013 Deferred	2013 Budget Appropriation	Balance	December 31, 2013	
	December 31, 2012			December 31, 2013	Funded	Unfunded
2007 tanker/pumper	\$ 124,377	\$ -	\$ 60,820	\$ 63,557	\$ -	\$ 63,557
Tanker/pumper - tank repair	40,000	-	-	40,000	-	40,000
Command vehicle	40,000	-	-	40,000	-	40,000
Aerial fire truck	826,808	-	65,426	761,382	-	761,382
	<u>\$ 1,031,185</u>	<u>\$ -</u>	<u>\$ 126,246</u>	<u>\$ 904,939</u>	<u>\$ -</u>	<u>\$ 904,939</u>

See Independent Auditors' Report.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Schedule of Improvement Authorizations - Capital Fund
Year Ended December 31, 2014

Purpose	Authorized Appropriation		Balance	2014 Authorization	2014 Expenditures	2014 Canceled	Balance	December 31, 2014	
	Date	Amount	December 31, 2013				December 31, 2014	Funded	Unfunded
Tanker/pumper	02/18/95	\$ 450,000	\$ 54,578	\$ -	\$ -	\$ 54,578	\$ -	\$ -	\$ -
Tanker/pumper - Tank Repair	12/18/07	40,000	40,000	-	-	-	40,000	-	40,000
Command vehicle	08/04/09	40,000	40,000	-	-	-	40,000	-	40,000
Aerial fire truck	12/07/10	900,000	122,102	-	-	-	122,102	-	122,102
		<u>\$ 1,430,000</u>	<u>\$ 256,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,578</u>	<u>\$ 202,102</u>	<u>\$ -</u>	<u>\$ 202,102</u>

See Independent Auditors' Report.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Schedule of Improvement Authorizations - Capital Fund
Year Ended December 31, 2013

Purpose	Authorized Appropriation		Balance	2013	2013	2013	Balance	December 31, 2013	
	Date	Amount	December 31, 2012	Authorization	Expenditures	Cancelled	December 31, 2013	Funded	Unfunded
Tanker/pumper	02/18/95	\$ 450,000	\$ 54,578	\$ -	\$ -	\$ -	\$ 54,578	\$ 54,578	\$ -
Tanker/pumper - Tank Repair	12/18/07	40,000	40,000	-	-	-	40,000	-	40,000
Command vehicle	08/04/09	40,000	40,000	-	-	-	40,000	-	40,000
Aerial fire truck	12/07/10	900,000	122,102	-	-	-	122,102	-	122,102
Total		<u>\$ 1,430,000</u>	<u>\$ 256,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 256,680</u>	<u>\$ 54,578</u>	<u>\$ 202,102</u>

See Independent Auditors' Report.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Statistical Information
Years Ended December 31, 2014 and 2013

Property Tax Levies

The following is a tabulation of district assessed valuations, tax levies and property tax rates per \$100 of assessed valuations for the current and preceding ten (10) years:

<u>Fiscal Year</u>	<u>Assessed Valuations</u>	<u>Total Tax Levy</u>	<u>Property Tax Rates</u>
2004	\$ 454,691,749	\$ 319,820	\$ 0.074
2005	466,640,030	317,720	0.069
2006 (revaluation)	1,401,787,839	359,170	0.026
2007	1,403,371,876	362,420	0.026
2008	1,407,131,328	376,916	0.027
2009	1,412,434,487	376,820	0.027
2010	1,246,134,463	380,170	0.031
2011	1,238,965,082	392,270	0.032
2012	1,221,255,814	545,065	0.045
2013	1,152,687,690	554,645	0.049
2014	1,115,198,354	563,973	0.051

General Fund – Fund Balance

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
December 31, 2004	\$ 152,759	\$ 35,000
December 31, 2005	94,798	100,200
December 31, 2006	3,622	20,000
December 31, 2007	95,681	17,904
December 31, 2008	79,089	60,000
December 31, 2009	58,106	48,000
December 31, 2010	78,935	48,000
December 31, 2011	58,341	49,000
December 31, 2012	115,698	49,000
December 31, 2013	143,139	49,000
December 31, 2014	151,996	46,000

Capital Fund – Fund Balance

<u>Fiscal Year Ended</u>	<u>End of Fiscal Year</u>	<u>Utilization in Subsequent Budget</u>
December 31, 2004	\$ 24,578	\$ 24,578
December 31, 2005	-	-
December 31, 2006	-	-
December 31, 2007	-	-
December 31, 2008	-	-
December 31, 2009	60,000	-
December 31, 2010	185,700	-
December 31, 2011	235,700	-
December 31, 2012	335,700	-
December 31, 2013	435,700	-
December 31, 2014	590,278	-

See Independent Auditors' Report.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Roster of Officials
Years Ended December 31, 2014 and 2013

<u>Board of Commissioners</u>	<u>Position</u>	<u>Amount of Surety Bond*</u>
Russell Gulbert	Chairman	\$ 250,000*
Michael Caronia	Asst. Chairman	250,000*
Thomas Norgard	Treasurer	400,000*
Christine Gilton	Clerk	250,000*
William Maguire	Asst. Clerk	250,000*

Other Official

Richard M. Braslow Board Attorney

* Blanket Bond Coverage

Surety Company

American Alternative Insurance Corp.

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Comments and Recommendations
Years Ended December 31, 2014 and 2013

Scope of Examination and Conditions of Records

Our examination covered the funds of the Board of Fire Commissioners, Fire District No 2, Township of Little Egg Harbor handled by the Treasurer and Board Bookkeeper.

The Financial records were maintained in good condition.

Minutes of Board meetings were properly maintained by the Board Bookkeeper.

Cash in Banks

The balance in bank at December 31, 2014 was reconciled with statements issued by the depositories.

Examination of Claims

Claims paid during the period under review were examined on a test basis to determine that they are submitted on Board vouchers, itemized, signed by the officials as to approval for payment, allocated to the proper accounts and charged to the proper fiscal period, and in agreement with bill list set forth in the approved minutes of the Board.

The District's five (5) Commissioners do not receive a fee for meeting attendance during the year.

Contracts and Agreements Required to be Advertised

For N.J.S. 40A:11-4

N.J.S. 40A:11-4 states, "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding the aggregate of \$17,500 except by contract or agreement".

The members of the Township of Little Egg Harbor Fire District #2 have the responsibility of determining whether any contract or agreement might result in violation of the statute and, when necessary, the Board Attorney's opinion should be sought before a commitment is made.

The results of our examination indicated that no individual payment, contract or agreement was made "for the performance of any work or the furnishing or hiring of any materials or supplies", in excess of the statutory thresholds where there had been advertising for bids in accordance with provisions of N.J.S.A. 40A:11-21.

Miscellaneous

An exit conference was held in accordance with generally accepted governmental auditing standards.

Acknowledgment

During the course of the audit, we received the cooperation of the officials of the Fire District and we appreciate the courtesies extended to us.

Recommendations

None

See Independent Auditors' Report.

**Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Comments and Recommendations
Years Ended December 31, 2014 and 2013**

The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Respectfully submitted,



Ronald C. Petrics
Registered Municipal Accountant #474

For the Firm
WithumSmith+Brown, PC

**Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Schedule of Findings and Recommendations
Years Ended December 31, 2014 and 2013**

Schedule of Financial Statement Findings

This section identifies the material weaknesses and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Bureau of Authority Regulations, Division of Local Government Services, Department of Community Affairs (DCA), State of New Jersey.

Material Weaknesses

None

Little Egg Harbor Township Fire District No. 2
Ocean County, New Jersey
Schedule of Prior Year Findings and Recommendations
Years Ended December 31, 2014 and 2013

Schedule of Prior Year Financial Statement Findings

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

Material Weaknesses

None