

**FIRE DISTRICT NO. 3
OF THE TOWNSHIP OF OLD BRIDGE**

Financial Statements and Supplementary Schedules

For the year ended December 31, 2018

(With Independent Auditor's Report thereon)

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
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For the year ended December 31, 2018
(With Independent Auditor's Report thereon)

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INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District No. 3 of the Township of Old Bridge
County of Middlesex
Old Bridge, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 3 of the Township of Old Bridge, County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 of each major fund and the aggregate remaining fund information of the Fire District No. 3 of the Township of Old Bridge, County of Middlesex, State of New Jersey, as of December 31, 2018, 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

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended December, 2018 the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions - an Amendment of GASB Statement No. 45, 57, & 74. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2019 on our consideration of the Fire District No. 3 of the Township of Old Bridge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fire District No. 3 of the Township of Old Bridge's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

August 26, 2019
Toms River, New Jersey

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

Board of Fire Commissioners
Fire District No. 3 of the Township of Old Bridge
County of Middlesex
Old Bridge, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities of each major fund and the aggregate remaining fund information of Fire District No. 3 of the Township of Old Bridge, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Fire District No. 3 of the Township of Old Bridge’s basic financial statements, and have issued our report thereon dated August 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fire District No. 3 of the Township of Old Bridge's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fire District No. 3 of the Township of Old Bridge’s internal control. Accordingly, we do not express an opinion on the effectiveness of Fire District No. 3 of the Township of Old Bridge’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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fire District No. 3 of the Township of Old Bridge's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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 Fire District No. 3 of the Township of Old Bridge'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 Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, in considering the Fire District No. 3 of the Township of Old Bridge's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

August 26, 2019
Toms River, New Jersey

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

As management of Fire District No. 3 of the Township of Old Bridge, we offer readers of the Fire District No. 3 of the Township of Old Bridge's financial statements this narrative overview and analysis of the financial activities of the Fire District No. 3 of the Township of Old Bridge for the year ended December 31, 2018. The intent of this narrative is to look at Fire District No. 3 of the Township of Old Bridge's overall financial performance in terms easily understood by the lay person. Please read this in conjunction with the District's financial statements which begin on page 14. Notes to the financial statements will provide the reader with additional useful information and they begin on page 22.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at December 31, 2018 by approximately \$3.08 million. In 2017 the excess of assets over liabilities was approximately \$4.15 million. This is a decrease of approximately \$1.07 million.
- During 2018 Fire District No. 3 of the Township of Old Bridge operated at a surplus of approximately \$341,000. In 2017 the district operated at a surplus of approximately \$64,100. This is an increase of surplus of approximately \$276,900.
- The District increased their liabilities by approximately \$1,459,400 in 2018 and increased their total assets by approximately \$389,000.
- As described in Note 16 to the financial statements, "Prior Period Adjustment/Restatement of Net Position", the District has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions – an amendment of GASB Statement No. 45, 57, & 74* for the year ended December 31, 2018. The adoption of this principle resulted in a restatement of the District's Governmental Activities net position as of January 1, 2018 in the amount of \$1,411,258 as indicated in Note 16 to the financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. Fire District No. 3 of the Township of Old Bridge'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 8. 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 Fire District No. 3 of the Township of Old Bridge. The difference between the assets and liabilities is reported as the District's net position. Significant increases or decreases in the District's net position can be an indication of the financial health of the District. The Statement of Activities presents financial information about activities that result in the District's net position increasing or decreasing during the year. Financial activities are recorded when the transactions occur rather than when the cash is received or disbursed. 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. Fire District No. 3 of the Township of Old Bridge has two basic functions: activities that are supported by property taxes; and activities supported by other governmental activities. Fire District No. 3 of the Township of Old Bridge provides firefighting services to the citizens of Old Bridge Township. The District also provides services for the enforcement of the state and local fire codes and fire prevention education.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, Fire District No. 3 of the Township of Old Bridge uses fund accounting to document compliance with finance-related legal matters. Fire District No. 3 of the Township of Old Bridge has two types of funds, which are the governmental fund and fiduciary funds.

Governmental Funds

Fire District No. 3 of the Township of Old Bridge'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.

Fire District No. 3 of the Township of Old Bridge maintains three separate government funds, the General Fund and the Capital Projects 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, Fire District No. 3 of the Township of Old Bridge adopts an annual budget which is voted on by the legal voters of the district on the third Saturday in February. Budgetary comparison schedules have been prepared to document compliance with budgetary requirements.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District on behalf of outside third parties, or other funds within the District. The District has one type of fiduciary fund, which is the Unemployment Compensation which is used for the payment of unemployment claims.

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

Fire District No. 3 of the Township of Old Bridge's net position is a useful indicator of the District's financial condition. At the end of 2018, the District's assets exceeded its liabilities by approximately \$3.09 million. The largest portion of Fire District No. 3 of the Township of Old Bridge's net position 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.

Statement of Net Position

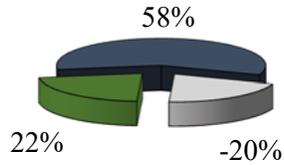
FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
NET POSITION
DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>	\$ Increase (Decrease)	% Increase (Decrease)
Current and Other Assets	\$ 4,786,228	\$ 4,961,476	(175,248)	-3.5%
Capital Assets	<u>3,005,138</u>	<u>2,440,912</u>	564,226	23.1%
Total Assets	7,791,366	7,402,388	388,978	5.3%
Total Liabilities	<u>(4,709,669)</u>	<u>(3,250,230)</u>	1,459,439	-44.9%
Net Position	<u>\$ 3,081,697</u>	<u>\$ 4,152,158</u>	(1,070,461)	-25.8%

Analysis of net position

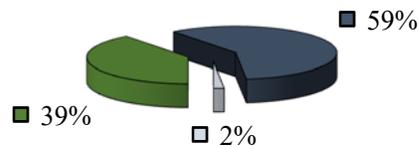
Investment in capital assets, net of related debt	\$ 3,005,138	\$ 2,440,912	564,226	23.1%
Restricted for:				
Capital	1,125,643	1,641,195	(515,552)	-31.4%
Unrestricted	<u>(1,049,084)</u>	<u>70,051</u>	(1,119,135)	-1597.6%
	<u>\$ 3,081,697</u>	<u>\$ 4,152,158</u>	(1,070,461)	-25.8%

2018 Net Position



- Restricted for Capital
- Invested in Net Assets
- Unrestricted

2017 Net Position



- Restricted for Capital
- Invested in Net Assets
- Unrestricted

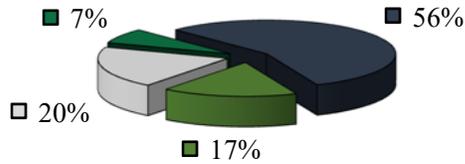
The net position of Fire District No. 3 of the Township of Old Bridge decreased approximately \$1,070,500. The District added approximately \$869,500 of capital assets during the year. In 2018 the capital assets increased by approximately \$564,226 after retirements and depreciation expense.

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:

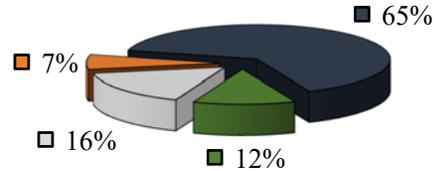
	<u>2018</u>	<u>2017</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Expenses				
Program Expenses				
Administrative expenses	\$ 288,652	\$ 221,117	67,535	30.5%
Cost of operations and maintenance	962,822	1,160,187	(197,365)	-17.0%
Operating appropriations offset with revenue	340,763	288,971	51,792	17.9%
Length of service award contribution	<u>123,050</u>	<u>124,612</u>	(1,562)	-1.3%
Total program expenses	1,715,287	1,794,887	(79,600)	-4.4%

2018 Program Expenses



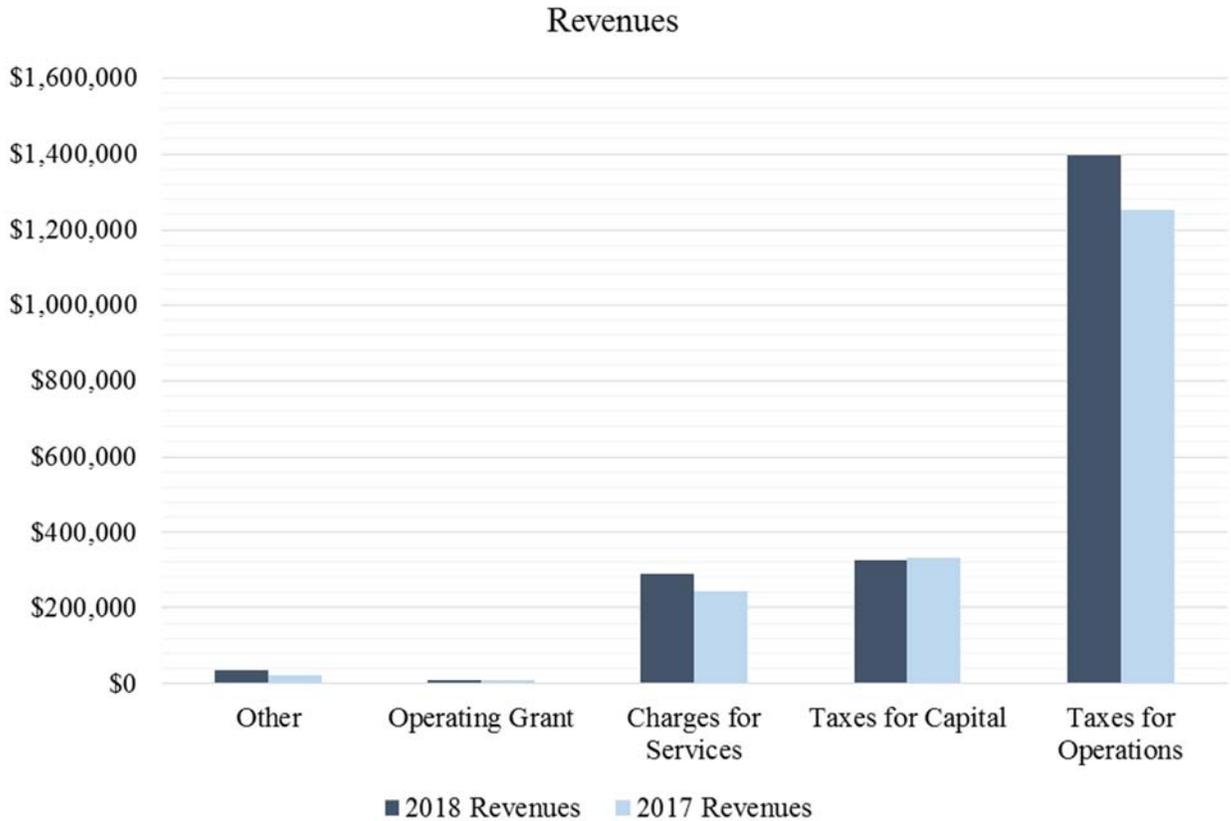
- Administrative
- Expenses offset by Revenues
- LOSAP
- Operations

2017 Program Expenses



- Administrative
- Expenses offset by Revenues
- LOSAP
- Operations

	<u>2018</u>	<u>2017</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Revenues				
Program revenues				
Charges for services	288,418	243,674	44,744	18.4%
Total program revenues	<u>288,418</u>	<u>243,674</u>	44,744	18.4%
Net program expenses	<u>1,426,869</u>	<u>1,551,213</u>	(124,344)	-8.0%
General revenues				
Property tax levied for:				
General purposes	1,396,838	1,254,475	142,363	11.3%
Capital purchases	<u>325,000</u>	<u>330,000</u>	(5,000)	-1.5%
Total property taxes levied	1,721,838	1,584,475	137,363	8.7%
Other revenue	36,342	21,326	15,016	70.4%
Operating grant revenue	<u>9,486</u>	<u>9,486</u>	-	
Total general revenues	<u>1,767,666</u>	<u>1,615,287</u>	152,379	9.4%
Increase in net position	340,797	64,074	276,723	431.9%
Net position, January 1, unadjusted	4,152,158	4,553,275	(401,117)	-8.8%
Prior period adjustment	(1,411,258)	(465,191)	(946,067)	100.0%
Net position, January 1, restated	2,740,900	4,088,084	(1,347,184)	-33.0%
Net position, December 31	<u>\$ 3,081,697</u>	<u>\$ 4,152,158</u>	(1,070,461)	-25.8%



Property tax revenue constituted 84% of the total governmental activities revenues received by Fire District No. 3 of the Township of Old Bridge in 2018. In 2017 the property tax revenue constituted 85% of total revenues.

The Cost of Operations & Maintenance was 56% and 65% of the District’s total expenses in 2018 and 2017, respectively. Administration expenses equaled 17% and 12% of the total expenses in 2018 and 2017, respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

Fire District No. 3 of the Township of Old Bridge 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, 2018, the combined balance of the governmental cash funds of Fire District No. 3 of the Township of Old Bridge was approximately \$2.68 million. This balance is approximately \$577,200 lower than last year’s combined governmental funds cash balance. The decrease is due primarily to the purchase of capital assets.

The combined balance of the governmental funds of Fire District No. 3 of the Township of Old Bridge was approximately \$4.11 million. Unreserved fund balance amounted to approximately \$1.72 million of that total.

The general fund is the main operating fund of Fire District No. 3 of the Township of Old Bridge. At the end of 2018, the total fund balance of the general fund was approximately \$2.98 million. Of this balance, approximately \$1.72 of it was unreserved.

During 2018 the general fund balance of Fire District No. 3 of the Township of Old Bridge increased by approximately \$379,000. The primary reasons for this increase are as follows:

- The Board had revenues in excess of expenses of approximately \$379,000.

At the end of 2018, the District had a capital projects fund balance of approximately \$1.13 million. This is a decrease of approximately \$515,600.

- The Board appropriated \$325,000 for capital purchases and purchased capital assets of approximately \$840,600.

General Fund Budgetary Highlights

The Board assumes the responsibilities of the Uniform Fire Safety Act (UFSA) in the District. UFSA revenues are a factor of enforcement. The fees charged in 2018 were approximately 16% of the operating revenues.

The District utilized \$205,000 of restricted fund balance accumulated from prior years in the 2018 Budget. The District operated at a deficit in the current year of approximately \$198,000. Any unused surplus becomes available for future budget periods in the General and Capital Projects Funds.

The District had total budgeted revenues in excess of actual revenues of \$72,800 in 2018.

Overall, the District spent approximately \$640,500 less than originally anticipated in the operating budget for 2018.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2018 Fire District No. 3 of the Township of Old Bridge had invested in capital assets for government activities of approximately \$3.01 million (net of accumulated depreciation). Capital assets consist of building and improvements, equipment, and vehicles and apparatus. They purchased \$869,529 of capital assets and disposed of \$213,280 in 2018.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
CAPITAL ASSETS
(NET OF ACCUMULATED DEPRECIATION)
DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>	<u>\$ Increase (Decrease)</u>
Capital assets			
Buildings and improvements	\$ 573,155	\$ 566,355	6,800
Vehicles	5,278,330	4,860,665	417,665
Equipment	<u>1,084,893</u>	<u>853,109</u>	231,784
Total capital assets	6,936,378	6,280,129	656,249
Accumulated depreciation	<u>(3,931,240)</u>	<u>(3,839,217)</u>	(92,023)
Total capital assets, net	<u>\$ 3,005,138</u>	<u>\$ 2,440,912</u>	564,226

Additional information on Fire District No. 3 of the Township of Old Bridge's capital assets can be found in Note 5 in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

In 2018, Fire District No. 3 of the Township of Old Bridge was able to cover all its appropriations through the fire tax levy and other revenues. In 2018 the fire tax levy amounted to 84% of total revenue collected.

Fire District No. 3 of the Township of Old Bridge adopted their 2019 budget on November 14, 2018. The voters subsequently voted to approve the budget at the February election.

The 2019 budget reflects a 3.0% increase in the tax levy compared to 2018. The 2019 budget does not utilize any fund balance.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Fire District No. 3 of the Township of Old Bridge'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 Fire District No. 3 of the Township of Old Bridge, 913 Englishtown Road, Old Bridge, New Jersey 08857.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Statement of Net Position
December 31, 2018

	Governmental Activities
	2018
Assets:	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 2,682,749
Investments (Note 4)	254,024
Prepaid expenses	90,119
Total current assets	3,026,892
Noncurrent assets:	
Investment in length of service award program (Note 4)	1,185,915
Total noncurrent assets	1,185,915
Capital assets, net:	
Depreciable (Note 5)	3,005,138
Total capital assets	3,005,138
Total assets	7,217,945
Deferred outflows of resources:	
Deferred outflows related to investment in length of service award program (Note 8)	341,126
Deferred outflows related to pension (Note 9)	216,896
Deferred outflows related to other postemployment benefits (Note 10)	15,399
Total deferred outflows of resources	573,421
Total assets and deferred outflows of resources	\$ 7,791,366
Liabilities:	
Current liabilities:	
Accounts payable	\$ 10,316
Payroll deductions payable	6,966
Pension payable	27,557
Other payables	4,235
Total current liabilities	49,074
Noncurrent liabilities:	
Compensated absences (Note 7)	9,774
Net investment in length of service award program (Note 8)	2,417,247
Net pension liability (Note 9)	571,161
Net other postemployment benefits liability (Note 10)	907,724
Total noncurrent liabilities	3,905,906
Total liabilities	3,954,980
Deferred inflows of resources:	
Deferred outflows related to investment in length of service award program (Note 8)	23,605
Deferred inflows related to pensions (Note 9)	218,474
Deferred inflows related to other postemployment benefits (Note 10)	512,610
Total deferred inflows of resources	754,689
Total liabilities and deferred inflows of resources	4,709,669
Net position:	
Net investment in capital assets	3,005,138
Restricted net position:	
Capital	1,125,643
Unrestricted	(1,049,084)
Total net position	3,081,697
Total liabilities, deferred inflows of resources and net position	\$ 7,791,366

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Statement of Activities
For the year ended December 31, 2018

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities</u> <u>2018</u>
Government activities:			
Operation appropriations:			
Administration	\$ 288,652	\$ -	\$ 288,652
Costs of operations and maintenance	962,822	-	962,822
Operating appropriations offset with revenues	340,763	288,418	52,345
Length of service award contribution	123,050	-	123,050
Total government activities	<u>1,715,287</u>	<u>288,418</u>	<u>1,426,869</u>
General revenues:			
Miscellaneous revenue			36,342
Operating grant revenues			9,486
Amount raised by taxation			<u>1,721,838</u>
Total general revenues			<u>1,767,666</u>
Change in net position			340,797
Net position, January 1, unadjusted			4,152,158
Prior period adjustment (Note 16)			<u>(1,411,258)</u>
Net position, January 1, restated			<u>2,740,900</u>
Net position, December 31			<u><u>\$ 3,081,697</u></u>

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Governmental Funds
Balance Sheet
December 31, 2018

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals December 31, 2018</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,524,861	\$ 1,157,888	\$ 2,682,749
Investments	254,024	-	254,024
Other receivables	32,245	-	32,245
Total current assets	1,811,130	1,157,888	2,969,018
Noncurrent assets			
Investment in length of service award program	1,185,915	-	1,185,915
Total noncurrent assets	1,185,915	-	1,185,915
Total assets	\$ 2,997,045	\$ 1,157,888	\$ 4,154,933
Liabilities, equity and other credits:			
Accounts payable	\$ 10,316	\$ -	\$ 10,316
Payroll deductions payable	6,966	-	6,966
Other payables	4,235	32,245	36,480
Total liabilities	21,517	32,245	53,762
Fund balances:			
Restricted for:			
Capital	-	1,095,007	1,095,007
Investment in length of service award program	1,185,915	-	1,185,915
Assigned for:			
Other purposes	71,011	30,636	101,647
Unassigned, reported in:			
General fund	1,718,602	-	1,718,602
Total fund balance	2,975,528	1,125,643	4,101,171
Total liabilities and fund balance	\$ 2,997,045	\$ 1,157,888	

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

Prepaid insurance is reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is expensed over the term of the policy as insurance expense.	90,119
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$6,936,378 and the accumulated depreciation is \$3,931,240.	3,005,138
Deferred outflows and inflows of resources related to pensions, other postemployment benefits, and length of service awards program are applicable to future reporting periods and therefore, are not reported in the funds.	(181,268)
Accrued and PERS and PFRS pension payable are not recorded in the fund financial statements due to the fact that payable is not due in the period.	(27,557)
Long-term liabilities, including net pension liability, and net investment in length of service award program are not due and payable in the current period and are therefore not reported as liabilities in the funds.	(3,905,906)
Net position of government activities	\$ 3,081,697

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2018

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals December 31, 2018</u>
Revenues:			
Miscellaneous anticipated revenue:			
Investment income - unrestricted cash and investments	\$ 27,567	\$ -	\$ 27,567
Investment income - length of service award program	31,453	-	31,453
Other revenue	8,775	-	8,775
Total miscellaneous revenues	<u>67,795</u>	<u>-</u>	<u>67,795</u>
Operating grant revenues:			
Supplemental fire service act	9,486	-	9,486
Total operating grant revenue	<u>9,486</u>	<u>-</u>	<u>9,486</u>
Miscellaneous revenues offset with appropriations:			
Uniform fire safety act revenues:			
Annual registration fee	175,440	-	175,440
Penalties and fines	18,029	-	18,029
Other revenues	94,949	-	94,949
Total uniform fire safety act revenues	<u>288,418</u>	<u>-</u>	<u>288,418</u>
Total miscellaneous revenues offset with appropriations	<u>288,418</u>	<u>-</u>	<u>288,418</u>
Total revenues	<u>365,699</u>	<u>-</u>	<u>365,699</u>
Amount raised by taxation to support district budget			
	1,396,838	325,000	1,721,838
Total anticipated revenues	<u>1,762,537</u>	<u>325,000</u>	<u>2,087,537</u>
Expenditures:			
Operating appropriations:			
Administration:			
Salaries and wages	91,890	-	91,890
Fringe benefits	66,983	-	66,983
Other expenditures:			
Professional fees	49,276	-	49,276
Elections	5,304	-	5,304
Utilities	11,379	-	11,379
Maintenance Contracts	27,827	-	27,827
Office supplies	34,887	-	34,887
Total administration	<u>287,546</u>	<u>-</u>	<u>287,546</u>
Cost of operations and maintenance:			
Other expenditures:			
Rental charges	125,208	-	125,208
Insurance	151,881	-	151,881
Advertising	1,147	-	1,147
Training and education	28,445	-	28,445
Uniforms	9,201	-	9,201
Maintenance and repairs	107,848	-	107,848
Fire protection services	181,107	-	181,107
Other non-bondable assets	55,229	-	55,229
Total cost of operations and maintenance	<u>662,394</u>	<u>-</u>	<u>662,394</u>

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2018

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals December 31, 2018</u>
Operating appropriations offset with revenues:			
Salaries and wages	184,626	-	184,626
Fringe benefits	106,601	-	106,601
Other expenditures	49,536	-	49,536
Total operating appropriations offset with revenues	<u>340,763</u>	<u>-</u>	<u>340,763</u>
Length of service award program			
Administrative fees	2,750	-	2,750
Group life insurance premiums	7,120	-	7,120
Participant withdrawals	83,032	-	83,032
Total length of service award program	<u>92,902</u>	<u>-</u>	<u>92,902</u>
Total operating appropriations	<u>1,383,605</u>	<u>-</u>	<u>1,383,605</u>
Capital expenditures:			
Vehicles	-	840,552	840,552
Total capital expenditures	<u>-</u>	<u>840,552</u>	<u>840,552</u>
Total governmental expenditures	<u>1,383,605</u>	<u>840,552</u>	<u>2,224,157</u>
Excess of revenues over expenditures	378,932	(515,552)	(136,620)
Fund balance, January	<u>2,596,596</u>	<u>1,641,195</u>	<u>4,237,791</u>
Fund balance, December 31	<u>\$ 2,975,528</u>	<u>\$ 1,125,643</u>	<u>\$ 4,101,171</u>

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance in
the Governmental Funds to the Statement of Activities
December 31, 2018

Total net changes in Fund Balance-Governmental Funds (B-2)	\$	(136,620)
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p>		
<p>Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital Outlays-Capital Project Fund	840,552	
Capital Outlays-General Fund	28,977	
Depreciation Expense	(305,303)	564,226
<p>Prepaid insurance is reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is expensed over the term of the policy as insurance expense.</p>		
Prior year	(76,422)	
Current year	90,119	13,697
<p>Length of service award program contribution is not reported in governmental funds as expenditures. However, in the statement of net position, the expense is equal to the amount of contributions to the volunteers accounts as determined by the benefit terms. Change in value of LOSAP investments is not a revenue in the government wide financial statements as it is payable to the volunteers in accordance with the plan benefits.</p>		
Length of service awards program expense	(13,814)	
District contribution to length of service award program	(123,050)	
Appreciation in fair value of investments	(31,453)	
Group life insurance premiums	7,120	
Administrative fees	2,750	
Participant withdrawals	83,032	(75,415)
<p>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 pension, is reported in the Statement of Activities.</p>		
Pension expense	(30,308)	(30,308)
<p>District other postemployment benefit 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 other postemployment benefit liability is measured a year before the District's report date. Other post employment expense, which is the change in the net other postemployment benefit liability adjusted for changes in deferred outflows and inflows of resources related to other postemployment benefits is reported in the Statement of Activities.</p>		
Other postemployment benefit credit	6,323	6,323
<p>In the statement of activities, certain operating expenses, e.g., compensated absences (sick leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used, essentially, the amounts actually paid. This year, the increase in sick leave paid was \$1,106.</p>		
		(1,106)
Changes in net position of governmental activities	\$	340,797

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2018

	<u>Unemployment Compensation</u>	<u>Totals</u> <u>December 31,</u> <u>2018</u>
Assets:		
Cash	\$ 90,412	\$ 90,412
Other receivables	4,247	4,247
Total assets	<u>\$ 94,659</u>	<u>\$ 94,659</u>
Net position:		
Reserved:		
For unemployment claims	<u>\$ 94,659</u>	<u>\$ 94,659</u>
Total net position	<u>\$ 94,659</u>	<u>\$ 94,659</u>

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the year ended December 31, 2018

	<u>Unemployment Compensation</u>	<u>Totals December 31, 2018</u>
Revenues and other financing sources:		
Employee contributions	\$ 455	\$ 455
District contributions	3,792	3,792
Total contributions	<u>4,247</u>	<u>4,247</u>
Investment earnings:		
Interest	159	159
Total investment earnings	<u>159</u>	<u>159</u>
Total revenues and other financing sources	<u>4,406</u>	<u>4,406</u>
Excess of revenues and other financing sources over expenditures	4,406	4,406
Net position, January 1	<u>90,253</u>	<u>90,253</u>
Net position, December 31	<u>\$ 94,659</u>	<u>\$ 94,659</u>

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements
For the year ended December 31, 2018

NOTE 1: GENERAL INFORMATION

A. Description of Reporting Entity

Fire District No. 3 of the Township of Old Bridge is a political subdivision of the Township of Old Bridge, County of Middlesex, State of New Jersey. A board of five commissioners oversees all of the operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of every February.

Fire Districts are governed by the N.J.S.A. 40A: 14-70 et al. and are taxing authorities charged with the responsibility of providing the resources necessary to provide fire fighting services to the residents within its territorial location.

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

- the organization is legally separate (can sue or be sued in their own name);
- the District holds the corporate powers of the organization;
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization;
- the organization has the potential to impose a financial benefit/burden on the District
- there is a fiscal dependency by the organization on the District.

There were no additional entities required to be included in the reporting entity under the criteria as described above. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. District Officials

The District is governed by a board of five commissioners. The following were in office at December 31, 2018:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
Bertus A. Shelters, IV	2019
Chester T. Hammel	2021
Gary Filik	2021
Kenneth R. Totten	2020
Martin F. Ruane	2019

C. Accounting Records

The official accounting records of the Fire District No. 3 of the Township of Old Bridge are maintained in the office of the District.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 1: GENERAL INFORMATION (continued)

D. Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

E. Component Units

GASB Statement No.14, The Financial Reporting Entity, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units and GASB Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34 and GASB Statement No. 80, Blending Requirements for Certain Component Units. The District had no component units for the year ended December 31, 2018.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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

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

B. Fund Accounting

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn is divided into separate “fund types.”

Governmental Funds:

General Fund

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

Capital Projects Fund

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

Fiduciary Funds:

Fiduciary funds are used to account for assets held by a governmental entity for other parties (either as trustee or as an agent) and that cannot be used to finance the governmental entity’s own operating programs which includes private purpose trust funds and agency funds.

Trust and Agency Fund

The Trust and Agency Fund is used to account for assets held by the Fire District on behalf of outside parties, including other governments, or on behalf of other funds within the Fire District.

C. District Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment or component unit.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. District Wide and Fund Financial Statements (continued)

Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. The District does not allocate general government (indirect) expenses to other functions.

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

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units. However, the fiduciary funds are not included in the district-wide statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Fund Financial Statements

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

D. Basis of Accounting

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

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

In its accounting and financial reporting, the Fire District No. 3 of the Township of Old Bridge follows the pronouncements of the Governmental Accounting Standards Board (GASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Fire District No. 3 of the Township of Old Bridge's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

E. Budgets and Budgetary Accounting

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

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.

F. Encumbrances

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

Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current year-end. The encumbrances at December 31, 2018 totaled \$71,011 in the general fund and \$30,636 in the capital projects fund.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Cash and Cash Equivalents

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 the 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 they are federally insured. All public depositories must pledge collateral, having a market value of five percent of its average daily balance of collected public funds, to secure the deposits of governmental units. If public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

H. Prepaid Expenses

Prepaid expenses that benefit future periods are recorded as an expenditure during the year of purchase.

I. Debt Limitation

N.J.S.A.40A:14-84 governs procedures for the issuance of any debt related to such purchases. In summary, Fire Districts may purchase fire fighting apparatus, equipment, land and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or 2 percent of the assessed valuation of property, whichever is larger.

J. Capital Assets

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

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

Buildings and Improvements	7 to 25 years
Equipment	5 to 10 years
Vehicles	5 to 25 years

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Inventory, Materials and Supplies

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

L. Compensated Absences

Fire District employees are entitled to vacation and sick leave. Unused vacation may be accumulated up to one week with prior approval from the Board of Commissioners and unused sick leave may be accumulated up to a maximum of 280 days. Benefits paid in any future year will be calculated according to formulas outlined in the Fire District's agreement with the employee's union and included in the current year's budget.

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

M. Interfund Receivable/Payable

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

N. Revenues and Expenditures

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

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

O. Fire District Taxes

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Deferred Outflows and Deferred Inflows 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 a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Q. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

R. Fund Equity

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Fire District No. 3 of the Township of Old Bridge classifies governmental fund balances as follows:

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

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Net Position

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

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

T. Use of Estimates

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

U. Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

The following GASB Statements became effective for the fiscal year ended December 31, 2018:

Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions. 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, establishes new accounting and financial reporting requirements for OPEB Plans. This statement was effective and implemented for the year ended December 31, 2018.

Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement does not have a material impact on the District's financial statements.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U. Impact of Recently Issued Accounting Principles (continued)

Recently Issued Accounting Pronouncements

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

Statement No. 83, Certain Asset Retirement Obligations. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management does not expect this Statement to have a material impact on the District's financial statements.

Statement No. 84, Fiduciary Activities. The Statement intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. To that end, Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Statement No. 84 is effective for reporting periods beginning after December 15, 2018. Management has not yet determined the potential impact on the District's financial statements.

Statement No. 87, Leases. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. Statement No. 87 is effective for reporting periods beginning after December 15, 2019. Management has not yet determined the potential impact on the District's financial statements.

Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The Governmental Accounting Standards Board (GASB) has issued a new standard with guidance the GASB believes will enhance debt-related disclosures in notes to financial statements, including those addressing direct borrowings and direct placements. The new standard clarifies which liabilities governments should include in their note disclosures related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management has not yet determined the potential impact on the District's financial statements.

V. Unrealized Gains and Losses

Governmental Accounting Standards Board (GASB) has established GASB-31, which requires public agencies to report the financial effect of all unrealized gains and losses on invested funds. As of December 31, 2018, the unrealized gains for the Fire District were not considered to be material to the financial statements taken as a whole, and accordingly, has not been reflected in the financial statements.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

W. Fair Value Measurement

The District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level I – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the District has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

Level II – Inputs that include quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level III – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values.

Subsequent to initial recognition, the District may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

The following methods and assumptions were used by the District in estimating the fair value of its financial instruments:

Fixed Account Investment Contract: Valued at the contract's market value as reported by the insurance company.

Certificate of Deposit: Valued at the net asset value (NAV) at year end where the NAV is valued at \$1 per unit.

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The table in Note 4 sets forth by level, within the fair value hierarchy, the LOSAP's assets at fair value as of December 31, 2018.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

X. Subsequent Events

Fire District No. 3 of the Township of Old Bridge has evaluated subsequent events occurring after December 31, 2018 through the date of August 26, 2019, which is the date the financial statements were available to be issued.

NOTE 3: CASH

The Fire District is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2018, and reported at fair value are as follows:

<u>Type</u>	<u>Carrying Value</u>
Deposits:	
Demand deposits	\$ 2,773,161
Total deposits	<u>\$ 2,773,161</u>
 Reconciliation to Governmental and Fiduciary Fund statements:	
Governmental Funds	\$ 2,682,749
Fiduciary Funds	90,412
Total	<u>\$ 2,773,161</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2018, the District's bank balance of \$2,805,380 was insured or collateralized as follows:

Insured	\$ 750,000
Collateralized in the District's name under GUDPA	<u>2,055,380</u>
Total	<u>\$ 2,805,380</u>

NOTE 4: INVESTMENTS

A. Custodial Credit Risk

For an investment, custodial credit risk is a risk that, in the event of the failure of the counterparty, the Fire District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Fire District, and are held by either the counterparty or the counterparty's trust department or agent but not in the Fire District's name. All of the District's investments are held in the name of the District and are collateralized by GUDPA.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 4: INVESTMENTS (continued)

B. Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Fire District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at December 31, 2018, are provided in the below schedule.

C. Investment Credit Risk

The Fire District has no investment policy that limits its investment choices other than the limitation of state law as follows:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;
- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Fire District or bonds or other obligations of the local unit or units within which the Fire District is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Fire District;
- Local Government investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities.

As of December 31, 2018, the Fire District had the following investments and maturities:

Assets at Fair Value as of December 31, 2018				
	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Governmental activities:				
Length of service awards program:				
Fixed account investment contract	\$ -	\$ -	\$ 1,185,915	\$ 1,185,915
Certificates of deposit	<u>254,024</u>	<u>-</u>	<u>-</u>	<u>254,024</u>
Total assets at fair value	<u>\$ 254,024</u>	<u>\$ -</u>	<u>\$ 1,185,915</u>	<u>\$ 1,439,939</u>

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 4: INVESTMENTS (continued)

C. Investment Credit Risk (continued)

Level III Gains and Losses

The following table sets forth a summary of changes in the fair value of the LOSAP's Level III assets for the year ended December 31, 2018.

	Level III Assets Year Ended <u>December 31, 2018</u>
Balance, beginning of year	\$ 999,702
Purchases, sales, issuances and settlements (net)	154,760
Gains & (Losses)	<u>31,453</u>
Balance, end of year	<u>\$ 1,185,915</u>

NOTE 5: CAPITAL ASSETS

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

Fixed assets consisted of the following at December 31, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets being depreciated:				
Building and improvements	\$ 566,355	\$ 6,800	\$ -	\$ 573,155
Equipment	853,109	231,784	-	1,084,893
Vehicle and apparatus	<u>4,860,665</u>	<u>630,945</u>	<u>(213,280)</u>	<u>5,278,330</u>
Total capital assets being depreciated	<u>6,280,129</u>	<u>869,529</u>	<u>(213,280)</u>	<u>6,936,378</u>
Less: accumulated depreciation:				
Building and improvements	(384,456)	(24,436)	-	(408,892)
Equipment	(522,498)	(95,036)	-	(617,534)
Vehicle and apparatus	<u>(2,932,263)</u>	<u>(185,831)</u>	<u>213,280</u>	<u>(2,904,814)</u>
Total accumulated depreciation	<u>(3,839,217)</u>	<u>(305,303)</u>	<u>213,280</u>	<u>(3,931,240)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>2,440,912</u>	<u>564,226</u>	<u>-</u>	<u>3,005,138</u>
Total capital assets	<u>\$ 2,440,912</u>	<u>\$ 564,226</u>	<u>\$ -</u>	<u>\$ 3,005,138</u>

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 6: LONG-TERM OBLIGATIONS

During the year ended December 31, 2018, the following changes occurred in long-term obligations:

	<u>Balance</u> <u>12/31/17</u>	<u>Accrued/</u> <u>increases</u>	<u>(Retired)/</u> <u>(decreases)</u>	<u>Balance</u> <u>12/31/18</u>	<u>Due within</u> <u>One Year</u>
Governmental activities:					
Compensated absences	\$ 8,668	\$ 1,106	\$ -	\$ 9,774	\$ -
Net length of service awards program liability	2,340,006	77,241	-	2,417,247	-
Net pension liability	681,672	-	(110,511)	571,161	-
Net other postemployment benefit liability	<u>1,167,579</u>	<u>-</u>	<u>(259,855)</u>	<u>907,724</u>	<u>-</u>
Total	<u>\$ 4,197,925</u>	<u>\$ 78,347</u>	<u>\$ (370,366)</u>	<u>\$ 3,905,906</u>	<u>\$ -</u>

NOTE 7: VESTED EMPLOYEE BENEFITS

In accordance with GASB-16 and NCGA-1 (Governmental Accounting and Financial Reporting Principles), the portion of estimated future payments for compensated absences that will use current expendable resources is reported as a current fund liability in the governmental activities fund and the balance of the liability is reported as non-current liability in the governmental activities fund.

For the year ended December 31, 2018, the District did not have a current liability for compensated absences. The amounts included in the long-term liabilities consists of the following:

	<u>2018</u>
Total Compensated Absences	<u>\$ 9,774</u>

NOTE 8: LENGTH OF SERVICE AWARDS PROGRAM

Plan Description – The Fire District’s Length of Service Awards Program (LOSAP) provides tax deferred income benefits to active volunteer firefighters. The plan is intended to comply with Section 457(e)(11)(A)(ii) of the Internal Service Code of 1986, as amended.

The assets of the plan are invested in a fixed-income Group Annuity Contract with MassMutual Life Insurance Company under which MassMutual pools funds invested for various Length of Service Awards Program customers along with funds in The MassMutual’s general account. Interest income is provided at an average rate of return of approximately 3.5% for 2018 and there is a guaranteed minimum return of 3%.

Contributions – The District has a contractual obligation to pay the LOSAP benefits to eligible members. Assets that are designated to pay the LOSAP benefits are available to the unsecured creditors of the District. As such, the assets and liabilities of the LOSAP are included in the financial statements of the District. For the year ended December 31, 2018 the District’s contractually required contribution to the plan was \$116,124 and the actual contribution for the year ended December 31, 2018 was \$123,050.

Basis of Presentation – The accompanying schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of LOSAP 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.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 8: LENGTH OF SERVICE AWARDS PROGRAM (continued)

Components of Net Pension Liability – At December 31, 2018, the District’s net pension liability relating to the length of service awards program was \$2,417,247. The net pension liability was measured as of December 31, 2018. The net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of January 1, 2018, which was rolled forward to December 31, 2018. The components of the net pension liability at December 31, 2018, were as follows:

Collective Balances at December 31, 2018

	<u>12/31/18</u>
Actuarial valuation date	December 31, 2018
Deferred outflows of resources	\$ 341,126
Deferred inflows of resources	23,605
Plan fiduciary liability	-
Net pension liability	2,417,247
Plan fiduciary net position as a percentage of the total pension liability	0.00%

The following table shows the Changes in the Net Pension Liability as follows:

	Increase (Decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) - (b)
Balance at 1/1/18	\$ 2,340,006	\$ -	\$ 2,340,006
Changes for the year:			
Service costs	38,185	-	38,185
Interest	85,085	-	85,085
Changes in benefit terms	-	-	-
Differences in expected and actual experience	(27,538)	-	(27,538)
Changes in assumptions	82,284	-	82,284
Benefit payments and expenses	(100,775)	-	(100,775)
Net changes	77,241	-	77,241
Balance at 12/31/18	\$ 2,417,247	\$ -	\$ 2,417,247

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 8: LENGTH OF SERVICE AWARDS PROGRAM (continued)

Pension Expense – The pension expense, calculated by the plan as of the December 31, 2018 measurement date is \$176,190 as follows:

<u>Note</u>	<u>Description</u>	<u>Amount</u>
A	Service cost	\$ 38,185
B	Interest on the total pension liability	85,085
A	Changes of benefits terms	-
C	Differences between expected and actual experience	(3,934)
C	Changes of assumptions	<u>56,854</u>
	Total pension expense relating to LOSAP	<u>\$ 176,190</u>

Notes:

- A Provided in the Changes in Net Pension Liability exhibit
B Based on the following calculation:

<u>Amount for period (a)</u>	<u>Portion of period (b)</u>	<u>Projected rate of return (c)</u>	<u>Projected Earnings (a) x (b) x (c)</u>
\$ 2,340,006	100%	3.71%	\$ 86,814
38,185	0%	3.71%	-
(93,182)	100%	3.71%	<u>(1,729)</u>
			<u>\$ 85,085</u>

- C Provided in summary of deferred outflows and deferred inflows

Deferred Outflows/Inflows of Resources – At December 31, 2018 the District’s reported deferred outflows of resources and deferred inflows of resources related to the length of service awards program from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ -	\$ 23,605
Changes of Assumptions	<u>341,126</u>	<u>-</u>
	<u>\$ 341,126</u>	<u>\$ 23,605</u>

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 8: LENGTH OF SERVICE AWARDS PROGRAM (continued)

The District will amortize the above sources of deferred outflows and inflows related to the length of service awards program over the following number of years:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience		
Year of LOSAP plan deferral: December 31, 2018	6.00	6.00
Changes of assumptions		
Year of LOSAP plan deferral: December 31, 2018	6.00	6.00

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to the length of service awards program that will be recognized as pension expense in future periods:

<u>Year Ended December 31,</u>	<u>Amount</u>
2019	\$ 52,920
2020	52,920
2021	52,920
2022	52,920
2023	52,920
Thereafter	<u>52,921</u>
	<u>\$ 317,521</u>

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 8: LENGTH OF SERVICE AWARDS PROGRAM (continued)

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of January 1, 2018 rolled forward to December 31, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	0.00%
Salary Increases:	Not Applicable
Investment Rate of Return	3.71%
	net of pension plan investment expense, including inflation
Mortality Rate Table	Pre-retirement: None Post-retirement: RP2000 Projected to 2030
Retirement	First eligible
Turnover	T5
Disability	None

The above is a summary of key actuarial assumptions. Full descriptions of the actuarial assumptions are available in the January 1, 2018 actuarial valuation report.

Discount Rate – The discount rate used to measure the total pension liability was 3.71% which is based on the 20-year AA general obligation bond rate as of December 31, 2018.

Sensitivity of the District’s Net Pension Liability to Changes in the Discount Rate – The following presents the District’s net pension liability calculated using the discount rate as disclosed above, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

	1% Decrease (2.71%)	Current Discount Rate (3.71%)	1% Increase (4.71%)
Net Pension Liability - LOSAP	\$ <u>2,592,525</u>	\$ <u>2,417,247</u>	\$ <u>2,238,094</u>

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 9: PENSION OBLIGATIONS

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 Division's Comprehensive Annual Financial Report (CAFR), which can be found at <http://www.nj.gov/treasury/pensions/financial-reports.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.

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 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62 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.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Contributions – The contribution policy for PERS is set by *N.J.S.A. 43:15A* 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 the fiscal year 2018, 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 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. For the year ended December 31, 2018, the District's contractually required contribution to PERS plan was \$28,854.

Components of Net Pension Liability – At December 31, 2018, the District's proportionate share of the PERS net pension liability was \$571,161. The net pension liability was measured as of June 30, 2018. 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 July 1, 2017, which was rolled forward to June 30, 2018. 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, 2018. The District's proportion measured as of June 30, 2018, was 0.00290084% which was a decrease of 0.0000275062% from its proportion measured as of June 30, 2017.

Balances at December 31, 2018 and December 31, 2017

	<u>12/31/2018</u>	<u>12/30/2017</u>
Actuarial valuation date (including roll forward)	June 30, 2018	June 30, 2017
Deferred Outflows of Resources	\$ 216,896	\$ 309,740
Deferred Inflows of Resources	218,474	174,855
Net Pension Liability	571,161	681,672
Fire District No. 3 of the Township of Old Bridge's portion of the Plan's total Net Pension Liability	0.00290%	0.00293%

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Pension Expense and Deferred Outflows/Inflows of Resources – At December 31, 2018, the District's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2018 measurement date is \$54,805. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 10,892	\$ 2,945
Changes of Assumptions	94,118	182,627
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	5,358
Changes in Proportion and Differences between Fire District No. 3 of the Township of Old Bridge's Contributions and Proportion Share of Contributions	111,886	27,544
	\$ 216,896	\$ 218,474

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

The District will amortize the above sources of deferred outflows and inflows related to PERS over the following number of years:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	5.63	-
Changes in Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
Changes in Proportion and Differences between Fire District No. 3 of the Township of Old Bridge's Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PERS that will be recognized in future periods:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2019	\$ 8,475
2020	14,926
2021	14,782
2022	(28,940)
2023	<u>(10,821)</u>
	<u>\$ (1,578)</u>

Actuarial Assumptions – The total pension liability for the June 30, 2018 measurement date was determined by using an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation	2.25%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial	
Assumptions were Based	July 1, 2011 - June 30, 2014

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scales.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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 (7.00% at June 30, 2018) 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 rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long –Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100.00%</u>	

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 9: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Discount Rate – The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018 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 contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046 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 (4.66%) or 1-percentage-point higher (6.66%) than the current rate:

	1 % Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Fire District No. 3 of the Township of Old Bridge's Proportionate Share of the Net Pension Liability	<u>\$ 718,169</u>	<u>\$ 571,161</u>	<u>\$ 447,831</u>

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB Plan

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

General Information about the OPEB Plan (continued)

The Plan provides medical and prescription drug to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Pursuant to Chapter 78, P.L., 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Basis of Presentation

The schedule of employer and nonemployer allocations and the schedule of OPEB amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of its participating employers or the State as a nonemployer contributing entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of 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 the Plan 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.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the total OPEB liabilities for the year ended June 30, 2018 were \$6,338,578,586 and \$9,642,524,641, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2017 through June 30, 2018. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

Net OPEB Liability

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%
Salary Increases*:	
Through 2026	1.65% - 8.98% based on age
Thereafter	2.65% - 9.98% based on age

* Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age

OPEB Obligation and OPEB Expense

The District's proportionate share of the total Other Post-Employment Benefits Obligations was \$907,724.

The OPEB Obligation was measured as of June 30, 2018, and the total OPEB Obligation used to calculate the OPEB Obligation was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The State's proportionate share of the OPEB Obligation associated with the District was based on projection of the State's long-term contributions to the OPEB plan associated with the District relative to the projected contributions by the State associated with all participating Municipalities, actuarially determined. At June 30, 2018, the State proportionate share of the OPEB Obligation attributable to the District was 0.005794%, which was an increase of 0.000075% from its proportion measured as of June 30, 2017.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Obligation and OPEB Expense (continued)

For the fiscal year ended June 30, 2018, the State of New Jersey recognized an OPEB expense in the amount of \$21,184 for the State's proportionate share of the OPEB expense attributable to the District. This OPEB expense was based on the OPEB plans June 30, 2018 measurement date.

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

100% of active members are considered to participate in the Plan upon retirement.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2018 was 3.87%. This represents the municipal bond return rate as chosen by the State. The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the collective net OPEB liability of the participating employers as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

	June 30, 2018		
	1% Decrease <u>(2.87%)</u>	Current Discount Rate <u>(3.87%)</u>	1% Increase <u>(4.87%)</u>
State of New Jersey's proportionate share of total OPEB obligations associated with the District	\$ 1,065,000	\$ 907,724	\$ 782,096
State of New Jersey's total Net OPEB Liability	\$18,381,085,096	\$15,666,618,141	\$13,498,373,388

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate:

The following presents the net OPEB liability as of June 30, 2018, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2018		
	1% <u>Decrease</u>	Health Care Trend Rate * <u>Trend Rate *</u>	1% <u>Increase</u>
State of New Jersey's proportionate share of total OPEB obligations associated with the District	\$ 757,187	\$ 907,724	\$ 1,102,541
State of New Jersey's total Net OPEB Liability	\$13,068,471,450	\$15,666,618,141	\$19,029,006,023

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

Additional Information – The following is a summary of the deferred outflows of resources, deferred inflows of resources, and net OPEB liability balances as of June 30, 2018:

Balances at December 31, 2018 and December 31, 2017

	<u>12/31/2018</u>	<u>12/30/2017</u>
Actuarial valuation date (including roll forward)	June 30, 2018	June 30, 2017
Deferred Outflows of Resources	\$ 15,399	\$ 200
Deferred Inflows of Resources	512,610	243,879
Net OPEB Liability	907,724	1,167,579
District's portion of the Plan's total Net OPEB Liability	0.00579%	0.00572%

OPEB Deferred Outflows/Inflows of Resources – At December 31, 2018, the District's proportionate share of the OPEB outflows and inflows, calculated by the plan as of the June 30, 2018 measurement date is \$15,399 and 512,610, respectively. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience on OPEB Plan Investments	\$ -	\$ 184,300
Change in proportions	14,919	98,054
Change in assumptions	-	230,256
Net differences between expected and actual earnings on OPEB Plan Investments	480	-
	<u>\$ 15,399</u>	<u>\$ 512,610</u>

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Deferred Outflows/Inflows of Resources (continued)

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to OPEB that will be recognized in future periods:

Fiscal year ending June 30,		
2019	\$	(74,705)
2020		(74,705)
2021		(74,705)
2022		(74,755)
2023		(74,838)
Thereafter		<u>(123,503)</u>
	\$	<u><u>(497,211)</u></u>

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 8.14 and 8.04 years for the 2018 and 2017 amounts, respectively.

Plan Membership

At June 30, 2017, the Program membership consisted of the following:

	<u>June 30, 2017</u>
Active Plan Members	61,789
Inactive Plan Members or Beneficiaries currently receiving benefits	<u>26,277</u>
	<u><u>88,066</u></u>

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

Changes in the Total OPEB Liability

The change in the State's Total OPEB liability for the fiscal year ended June 30, 2018 (measurement date June 30, 2017) is as follows:

Service Cost	\$ 896,235,148
Interest on total OPEB liability	764,082,232
Differences between expected and actual experience	(3,626,384,047)
Changes in assumptions	(2,314,240,675)
Contributions from the employer	(421,194,662)
Contributions from non-employer contributing entity	(53,548,285)
Net investment income	(2,320,422)
Administrative expenses	<u>8,200,113</u>
Net change in total Net OPEB Liability	(4,749,170,598)
Total OPEB liability (beginning)	<u>20,415,788,739</u>
Total OPEB liability (ending)	<u>\$ 15,666,618,141</u>

NOTE 11: DEFERRED COMPENSATION PLAN

The Township of Old Bridge Fire District No. 3 Deferred Compensation Plan was established pursuant to section 457 of the Internal Revenue Code and in accordance with Applicable New Jersey Statutes and the New Jersey Administrative Code *N.J.A.C. 5:37*. The plan is an arrangement whereby a public employer may establish a plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more of the types of investments permitted under governing regulations. The plan is offered by the District through the program administrators the Variable Annuity Life Insurance Company. All monies deferred and any other assets or income of the plan funds held in trust, or one or more annuity contracts or one or more custodial accounts are for the exclusive benefit of the participating employees and their beneficiaries.

NOTE 12: INTERFUND RECEIVABLE/PAYABLE

The purpose of the interfunds is for short-term borrowing. As of December 31, 2018, the following interfund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
General	\$ 32,245	\$ 4,235
Capital projects	-	32,245
Unemployment	<u>4,235</u>	<u>-</u>
Totals	<u>\$ 32,245</u>	<u>\$ 32,245</u>

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year. As previously mentioned, these amounts are eliminated in the governmental and business-type columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are presented as Internal Balances in the Statement of Net Position.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 13: FUNDING

The activities of the Board of Commissioners are primarily funded by the striking of the fire tax on the property owners of the Fire District, as provided for by the state statute. For the year ended December 31, 2018, the fire tax rate on the Fire District No. 3 was approximately \$.096 per \$100 of assessed valuation.

The tax revenue is supplemented by income earned on surplus funds invested in a money market fund and investments during the year. The District also participates in the Supplemental Fire Services Program and received a basic entitlement grant of approximately \$9,486.

NOTE 14: 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.

A. Property and Liability Insurance

The District maintains commercial insurance coverage for property, liability and surety bonds. Insurance coverage was maintained in amounts consistent with prior years. The District did not have any claims that exceeded coverage.

B. New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and prior two years:

For the year ended December 31,	Interest <u>earned</u>	District <u>contributions</u>	Employees <u>contributions</u>	Amount <u>reimbursed</u>	Ending <u>balance</u>
2018	\$ 159	\$ 3,792	\$ 455	-	\$ 94,659
2017	86	3,871	364	-	90,253
2016	82	5,003	364	-	85,932
2015	75	6,668	302	-	80,483

NOTE 15: FUND BALANCE

General Fund – Of the \$2,975,528 General Fund fund balance at December 31, 2018, \$1,185,915 is restricted for investment in length of service award program, \$71,011 has been assigned for other purposes and \$1,718,602 is unassigned.

Capital Projects Fund – Of the \$1,125,643 Capital Projects Fund fund balance at December 31, 2018, \$1,095,007 is restricted for Capital and \$30,636 has been assigned for other purposes.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available, unless prohibited by law or regulation.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 16: PRIOR PERIOD ADJUSTMENT/RESTATEMENT OF NET POSITION

Net position as of January 1, 2018 has been restated as follows for the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions - an Amendment of GASB Statement No. 45, 57, & 74. The restatement of net position had no effect on the individual funds and will be shown as a restatement on the district-wide financial statements as follows:

	<u>Governmental Activities</u>
Net position as previously reported at December 31, 2017	\$ 4,152,158
Implementation of GASB 75:	
Net other postemployment benefit liability (measurement date as of June 30, 2017)	(1,167,579)
Deferred inflows of resources related to other postemployment benefits (measurement date as of June 30, 2017)	(243,879)
Deferred outflows of resources related to other postemployment benefits (measurement date as of June 30, 2017)	<u>200</u>
Total prior period adjustment	<u>(1,411,258)</u>
Net position as restated January 1, 2018	<u>\$ 2,740,900</u>

NOTE 17: DEFICIT UNRESTRICTED NET POSITION

As reflected on Exhibit A-1, Statement of Net position, a deficit in unrestricted net position of \$(1,049,084) existed as of December 31, 2018 for governmental activities. The primary cause of this deficit is the recording of the long-term liability for net pension, long-term liability of other postretirement benefits and long-term liability for the LOSAP obligation. In accordance with full accrual accounting, which is the basis of accounting for Exhibit A-1, Statement of Net position, such liabilities are required to be recorded in the period in which they are incurred. However, in accordance with the rules and regulations that govern the District in the formulation of their annual budget (see Note 1), pension liabilities that relate to future services, or that are contingent on a specific event outside the control of the District and its employees, are funded in the period in which such services are rendered or in which such events take place. Therefore, this deficit in unrestricted net position for governmental activities does not indicate that the District is facing financial difficulties.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Budgetary Comparison Schedule
For the year ended December 31, 2018

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 2,000	\$ 2,000	\$ 27,567	\$ 25,567
Other revenue	-	-	8,775	8,775
Total miscellaneous revenues	<u>2,000</u>	<u>2,000</u>	<u>36,342</u>	<u>34,342</u>
Operating grant revenues:				
Supplemental fire service act	<u>9,486</u>	<u>9,486</u>	<u>9,486</u>	<u>-</u>
Total operating grant revenue	<u>9,486</u>	<u>9,486</u>	<u>9,486</u>	<u>-</u>
Miscellaneous revenues offset with appropriations:				
Uniform fire safety act revenues:				
Annual registration fee	250,000	250,000	175,440	(74,560)
Penalties and fines	-	-	18,029	18,029
Other revenues	-	-	94,949	94,949
Total uniform fire safety act revenues	<u>250,000</u>	<u>250,000</u>	<u>288,418</u>	<u>38,418</u>
Total miscellaneous revenues offset with appropriations	<u>250,000</u>	<u>250,000</u>	<u>288,418</u>	<u>38,418</u>
Total revenues	<u>261,486</u>	<u>261,486</u>	<u>334,246</u>	<u>72,760</u>
Amount raised by taxation to support district budget	<u>1,721,838</u>	<u>1,721,838</u>	<u>1,721,838</u>	<u>-</u>
Total anticipated revenues	<u>1,983,324</u>	<u>1,983,324</u>	<u>2,056,084</u>	<u>72,760</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	100,699	100,699	91,890	8,809
Fringe benefits	85,679	85,679	66,983	18,696
Other expenditures:				
Professional fees	60,000	60,000	49,276	10,724
Elections	7,000	7,000	5,304	1,696
Utilities	16,000	16,000	11,379	4,621
Maintenance Contracts	30,000	30,000	27,827	2,173
Office expenses	<u>40,500</u>	<u>40,500</u>	<u>34,887</u>	<u>5,613</u>
Total administration	<u>339,878</u>	<u>339,878</u>	<u>287,546</u>	<u>52,332</u>

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Budgetary Comparison Schedule
For the year ended December 31, 2018

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Cost of operations and maintenance:				
Other expenditures:				
Rental charges	125,208	125,208	125,208	-
Insurance	166,000	166,000	151,881	14,119
Advertising	9,000	9,000	1,147	7,853
Training and education	43,650	43,650	28,445	15,205
Uniforms	73,606	73,606	9,201	64,405
Maintenance and repairs	229,000	285,961	107,848	178,113
Fire protection services	181,107	181,107	181,107	-
Contingencies	-	-	2,328	(2,328)
Other non-bondable assets	75,875	75,875	55,229	20,646
Total cost of operations and maintenance	<u>903,446</u>	<u>960,407</u>	<u>662,394</u>	<u>298,013</u>
Operating appropriations offset with revenues:				
Salaries and wages	169,350	169,350	184,626	(15,276)
Fringe benefits	67,621	67,621	106,601	(38,980)
Other expenditures	13,029	13,029	49,536	(36,507)
Total operating appropriations offset with revenues	<u>250,000</u>	<u>250,000</u>	<u>340,763</u>	<u>(90,763)</u>
Length of service award program	<u>165,000</u>	<u>165,000</u>	<u>123,050</u>	<u>41,950</u>
Capital appropriations	<u>530,000</u>	<u>1,179,500</u>	<u>840,552</u>	<u>338,948</u>
Total appropriations	<u>2,188,324</u>	<u>2,894,785</u>	<u>2,254,305</u>	<u>640,480</u>
Excess (efficiency) of revenues over (under) expenditures	(205,000)	(911,461)	(198,221)	713,240
Fund balance, January 1	<u>3,113,477</u>	<u>3,113,477</u>	<u>3,113,477</u>	<u>-</u>
Fund balance, December 31	<u>\$ 2,908,477</u>	<u>\$ 2,202,016</u>	<u>\$ 2,915,256</u>	<u>\$ 713,240</u>

RECAPITULATION OF FUND BALANCE

Restricted fund balance:			
Capital reserve			\$ 1,095,007
Assigned fund balance:			
Other purposes			101,647
Unassigned fund balance			<u>1,718,602</u>
Total - budgetary basis			<u>2,915,256</u>
Reconciliation to governmental fund statements (GAAP):			
Length of service award program investment balance not recognized on the budgetary basis			<u>1,185,915</u>
Total fund balance per governmental funds (GAAP)			<u>\$ 4,101,171</u>

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to the Required Supplementary Information
Budget-to-GAAP Reconciliation
For the year ended December 31, 2018

	<u>Total Governmental Funds</u>
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) "Revenue"	
From the Budgetary Comparison Schedule (C-1)	\$ 2,056,084
Difference - Budget to GAAP:	
Budgetary basis differs from GAAP in that the District does not budget for length of service award program investment income. GASB 73 requires the investment appreciation in the length of service award program to be shown in financial statements using the current financial resources measurement focus and modified accrual basis of accounting:	
Net appreciation in fair value of investments	<u>31,453</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u><u>\$ 2,087,537</u></u>
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Appropriations"	
From the Budgetary Comparison Schedule (C-1)	\$ 2,254,305
Budgetary basis differs from GAAP in that the District is required to budget for contributions to the length of service award program. Expenditures under the current financial resources measurement focus and modified accrual basis of accounting are limited to the benefits paid in accordance with the Plan.	
Length of service award program district contribution	(123,050)
Administrative fees	2,750
Group life insurance premiums	7,120
Participant withdrawals	<u>83,032</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u><u>\$ 2,224,157</u></u>

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System
Last Six Fiscal Years **

	Measurement Date Ended June 30,					
	2018	2017	2016	2015	2014	2013
District's Proportion of the Net Pension Liability	0.00290%	0.00293%	0.00261%	0.00191%	0.00184%	0.00237%
District's Proportionate Share of the Net Pension Liability	\$ 571,161	\$ 681,672	\$ 773,478	\$ 429,230	\$ 345,300	\$ 452,841
District's Covered-Employee Payroll	\$ 203,577	\$ 179,183	\$ 175,254	\$ 131,194	\$ 139,882	\$ 135,981
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	280.56%	380.43%	441.35%	327.17%	246.85%	333.02%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%	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.

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
 Schedule of District Contributions
 Public Employees' Retirement System
 Last Six Fiscal Years **

	Year Ended December 31,					
	2018	2017	2016	2015	2014	2013
District's Contractually Required Contribution	\$ 28,854	\$ 27,128	\$ 23,201	\$ 16,439	\$ 15,204	\$ 17,853
District's Contribution in Relation to the Contractually Required Contribution	(28,854)	(27,128)	(23,201)	(16,439)	(15,204)	(17,853)
District's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	\$ 181,285	\$ 203,577	\$ 179,183	\$ 175,254	\$ 131,194	\$ 139,882
District's Contributions as a Percentage of it's Covered-Employee Payroll	15.92%	13.33%	12.95%	9.38%	11.59%	12.76%

** 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.

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Schedule of the District's Proportionate Share of the Net Other Postemployment benefits Liability
Last Three Fiscal Years **

	Measurement Date Ended June 30,		
	2018	2017	2016
District's Proportion of the Net Other postemployment benefits liability	0.00579%	0.00572%	0.00632%
District's Proportionate Share of the Net Other Postemployment Benefits Liability	\$ 907,724	\$ 1,167,579	\$ 1,372,544
District's Covered-Employee Payroll	\$ 203,577	\$ 179,183	\$ 175,254
District's Proportionate Share of the Net Other Postemployment Benefits Liability as a Percentage of it's Covered-Employee Payroll	445.89%	651.61%	783.17%
Plan Fiduciary Net Position as a Percentage of the Total Other Postemployment Benefits Liability	53.60%	48.10%	40.14%

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.

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

**Changes in the Net Pension Liability and Related Ratios
Length of Service Awards Program (LOSAP)
Last Two Fiscal Years ****

	<u>2018</u>	<u>2017</u>
Total pension liability:		
Service cost	\$ 38,185	\$ 41,149
Interest	85,085	63,868
Changes in benefit terms	-	-
Differences between expected and actual experience	(27,538)	(1)
Changes in assumptions	82,284	360,795
Payments for benefits and admin expenses	(100,775)	(102,231)
Net change in total pension liability	<u>77,241</u>	<u>363,580</u>
Total pension liability - beginning	<u>2,340,006</u>	<u>1,976,426</u>
Total pension liability - ending	<u>\$ 2,417,247</u>	<u>\$ 2,340,006</u>
Net pension liability - LOSAP	<u>\$ 2,417,247</u>	<u>\$ 2,340,006</u>
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%
District's covered payroll	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A
Expected average remaining service years for all participants	5	5

** 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.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to the Required Supplementary Information
December 31, 2018

Public Employees' Retirement System (PERS)

Changes of Benefit Terms

None.

Changes of Assumptions

The discount rate changed from 5.00% as of June 30, 2017, to 5.66% as of June 30, 2018.

State Health Benefit Local Retired Employees Plan (OPEB)

Changes of Benefit Terms

None.

Changes of Assumptions

The discount rate changed from 3.58% as of June 30, 2017, to 3.87% as of June 30, 2018.

Length of Service Awards Program (LOSAP)

Changes of Benefit Terms

None.

Changes of Assumptions

The discount rate changed from 3.31% as of December 31, 2017 to 3.71% as of December 31, 2018, removed pre-retirement mortality to fund death benefits and post-retirement changed from GAR94 to RP200 projected to 2030.



Board of Fire Commissioners
Fire District No. 3 of the Township of Old Bridge
County of Middlesex
Old Bridge, New Jersey

We have audited the basic financial statements of the Fire District No. 3 of the Township of Old Bridge, County of Middlesex, State of New Jersey for the year ended December 31, 2018. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS

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

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

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

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

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

Contracts and Agreements Requiring Solicitation of Quotations

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

The supporting documentation indicated that quotes were requested for all items that required them.

Examination of Cash Receipts

A test check of cash receipts was made.

Examination of Bills

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.

Payroll

The examination of the payroll account included the detailed computation of various deductions or other credits from the payroll of the District employees and we ascertained that the accumulated withholdings were disbursed to the proper agencies.

Capital Assets

The Capital Asset subledger was maintained properly and a reconciliation between the physical and perpetual inventory records was performed at year-end.

Budget Adoption

The State of New Jersey requires that the Authority's operating and capital budgets be approved and adopted for each fiscal year. The Authority approved its operating budget on November 15, 2017 and adopted its operating budget on January 17, 2018.

Follow-Up of Prior Year's Findings

In accordance with *Government Auditing Standards* and audit requirements prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, our procedures included a review of all prior year findings. The previous year audit findings have been corrected.

Acknowledgment

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

Should you have any questions concerning our comments or recommendations, or should you desire any assistance in implementing our recommendations, please call us.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

August 26, 2019
Toms River, New Jersey