

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

Financial Statements

For the year ended December 31, 2017

(With Independent Auditor's Report thereon)

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Table of Contents
For the year ended December 31, 2017
(With Independent Auditor's Report thereon)

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-3
Independent Auditor's Report on Internal Control over Financial Reporting And on Compliance and Other Matters Based on an Audit Of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	4-5
Management's Discussion and Analysis	6-13
District Wide Statement of Net Position	14
District Wide Statement of Activities	15
Governmental Funds Balance Sheet	16
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance	17-18
Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	19
Fiduciary Funds Statement of Net Position	20
Fiduciary Funds Statement of Changes in Fiduciary Net Position	21
Notes to Financial Statements	22-50
Required Supplementary Information, Part I:	
Budgetary Comparison Schedule	51-52
Notes to the required supplementary information Budget-to-GAAP Reconciliation	53
Required Supplementary Information, Part II:	
Schedule of the District's Proportionate Share of the Net Pension Liability – PERS	54
Schedule of District Contributions – PERS	55
Changes in the Net Pension Liability and Related Ratios – Length of Service Awards Program	56
Notes to the Required Supplementary Information	57
General Comments and Recommendations	58-59



HOLMAN | FRENIA
ALLISON, P.C.

Certified Public Accountants & Consultants

680 Hooper Avenue, Bldg B, Toms River, NJ 08753 • Tel: 732.797.1333
618 Stokes Road, Medford, NJ 08055 • Tel: 609.953.0612
912 Highway 33, Suite 2, Freehold, NJ 07728 • Tel: 732.409.0800
194 East Bergen Place, Red Bank, NJ 07701 • Tel: 732.747.0010

www.hfacpas.com

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 08857

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, 2017, 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fire District No. 3 of the Township of Old Bridge, County of Middlesex, State of New Jersey, as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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.

Emphasis of Matter

Change in Accounting Principles

As discussed in Note 2 to the financial statements, during the year ended December 31, 2017 the District adopted Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 21, 2018, on our consideration of the Fire District No. 3 of the Township of Old Bridge's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the 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 21, 2018
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 08857

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, 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, 2017, 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 21, 2018.

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.

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 were not identified. However, as described in the accompanying general comments and recommendations, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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.

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. We consider the deficiencies described in the general comments and recommendations to be a significant deficiencies as finding 2017-01.

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 two instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs State of New Jersey and which are described in the comments and recommendations as item 2017-01.

Fire District No. 3 of the Township of Old Bridge's Response to Findings

Fire District No. 3 of the Township of Old Bridge's response to the findings identified in our audit is described in the accompanying comments and recommendation section. Fire District No. 3 of the Township of Old Bridge's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

August 21, 2018
Toms River, New Jersey

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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, 2017. 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 transmittal letters beginning on page 1 and 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, 2017 by approximately \$4.15 million. In 2016 the excess of assets over liabilities was approximately \$4.55 million. This is a decrease of approximately \$401,100.
- During 2017 Fire District No. 3 of the Township of Old Bridge operated at a surplus of approximately \$64,100. In 2016 the district operated at a deficit of approximately \$57,700. This is an increase of surplus of approximately \$121,800
- The District increased their liabilities by approximately \$871,900 in 2017, and increased their total assets by approximately \$470,800
- 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. 73, *Accounting and Financial Reporting for Pension and Related Assets that are not Within the Scope of GASB Statement No. 68* for the year ended December 31, 2017. The adoption of this principle resulted in a restatement of the District's Governmental Activities net position as of January 1, 2017 in the amount of \$465,191 and a restatement of the District's General Fund fund balance in the amount of \$1,062,074 as indicated in Note 16 to the financial statements. Prior year balances reflected in the MD&A have been updated for comparison purposes, to reflect the change where indicated.

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 Middle 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, Capital Projects Fund and the Debt Service 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 2017, the District's assets exceeded its liabilities by approximately \$4.16 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. Fire District No. 3 of the Township of Old Bridge's investment in capital assets is reported net of related debt. Since the capital assets are not available to liquidate the debt, other sources must be utilized for the repayment of the debt.

Statement of Net Position

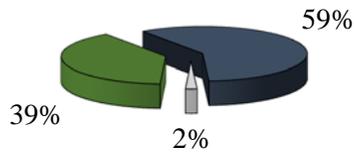
FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
NET POSITION
DECEMBER 31, 2017

	2017	2016	\$ Increase (Decrease)	% Increase (Decrease)
Current and other assets	\$ 4,961,476	\$ 4,371,770	589,706	13.5%
Capital assets	<u>2,440,912</u>	<u>2,559,791</u>	(118,879)	(4.6%)
Total assets	7,402,388	6,931,561	470,827	6.8%
Total liabilities	<u>(3,250,230)</u>	<u>(2,378,286)</u>	(871,944)	36.7%
Net position	<u>\$ 4,152,158</u>	<u>\$ 4,553,275</u>	(401,117)	(8.8%)

Analysis of net position

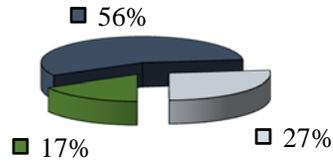
Invested in capital assets, net of related debt	\$ 2,440,912	\$ 2,559,791	(118,879)	(4.6%)
Restricted for:				
Capital projects	1,641,195	771,600	869,595	112.7%
Unrestricted	<u>70,051</u>	<u>1,221,884</u>	(1,151,833)	(94.3%)
Total net position	<u>\$ 4,152,158</u>	<u>\$ 4,553,275</u>	(401,117)	(8.8%)

2017 Net Position



- Restricted for Capital
- Invested in Net Assets
- Unrestricted

2016 Net Position



- Restricted for Capital
- Invested in Net Assets
- Unrestricted

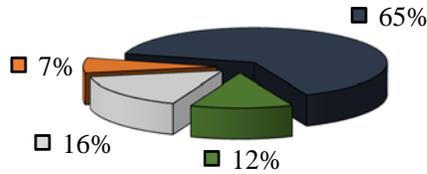
The net position of Fire District No. 3 of the Township of Old Bridge decreased approximately \$401,100. The District added approximately \$174,500 of capital assets during the year. In 2017 the capital assets decreased by approximately \$118,900 after depreciation expense.

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:

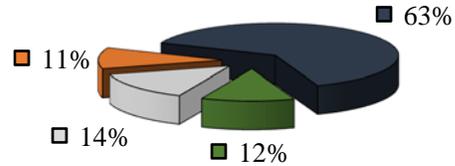
	2017	2016	\$ Increase (Decrease)	% Increase (Decrease)
Expenses				
Program expenses				
Administrative expenses	\$ 221,117	\$ 217,560	3,557	1.6%
Cost of operations and maintenance	1,160,187	1,129,241	30,946	2.7%
Operating appropriations offset with revenues	288,971	252,601	36,370	14.4%
Length of service award contribution	<u>124,612</u>	<u>189,480</u>	(64,868)	(34.2%)
Total program expenses	<u>1,794,887</u>	<u>1,788,882</u>	6,005	0.3%

2017 Program Expenses



- Administrative
- Expenses offset by Revenues
- LOSAP
- Operations

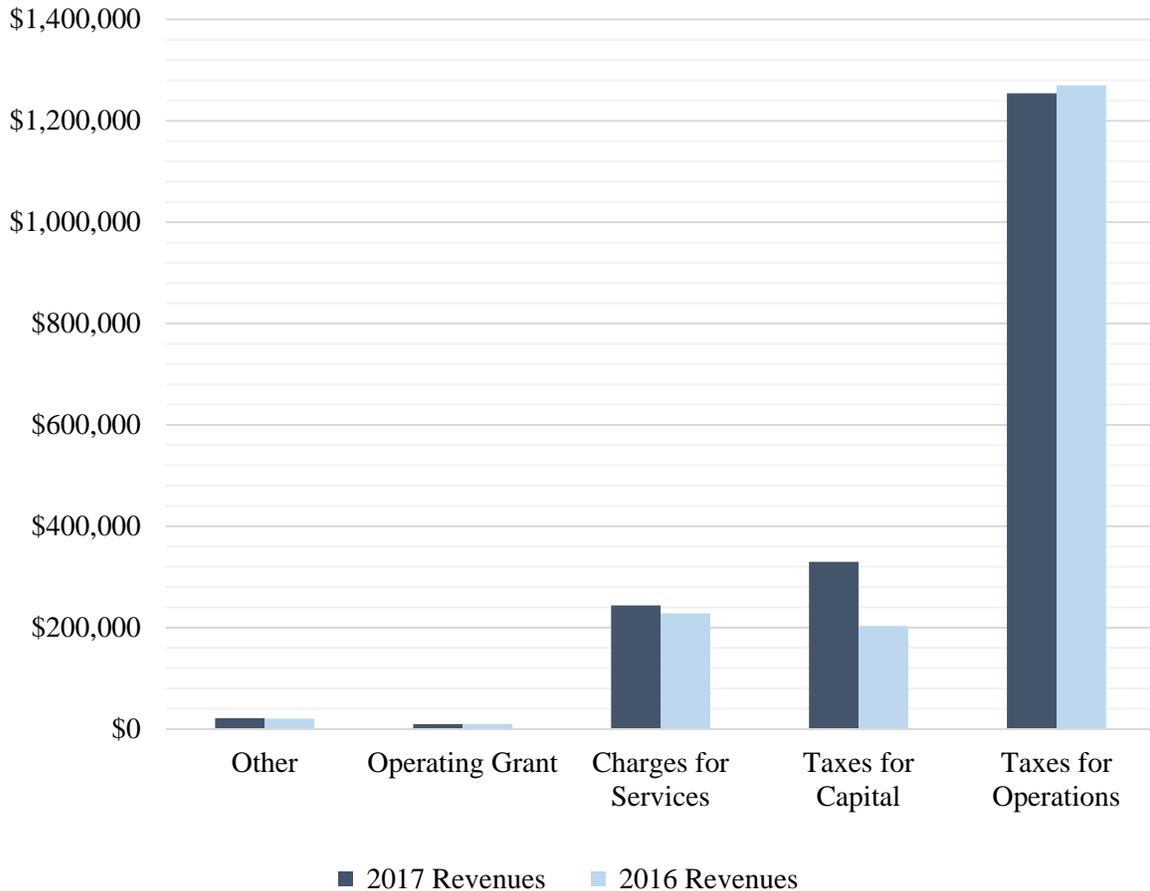
2016 Program Expenses



- Administrative
- Expenses offset by Revenues
- LOSAP
- Operations

	2017	2016	\$ Increase (Decrease)	% Increase (Decrease)
Revenues				
Program revenues				
Charges for services	<u>243,674</u>	<u>227,993</u>	15,681	6.9%
Total program revenues	<u>243,674</u>	<u>227,993</u>	15,681	6.9%
Net program expenses	<u>1,551,213</u>	<u>1,560,889</u>	(9,676)	(0.6%)
General revenues				
Property taxes levied for:				
General purposes	1,254,475	1,270,253	(15,778)	(1.2%)
Capital purchases	<u>330,000</u>	<u>203,000</u>	127,000	62.6%
Total property taxes levied	1,584,475	1,473,253	111,222	7.5%
Other revenue	21,326	20,423	903	4.4%
Operating grant revenue	<u>9,486</u>	<u>9,486</u>	-	-
Total general revenues	<u>1,615,287</u>	<u>1,503,162</u>	112,125	7.5%
Increase (decrease) in net position	64,074	(57,727)	121,801	(211.0)%
Net position, January 1, unadjusted	4,553,275	4,611,002	(57,727)	(1.3%)
Prior period adjustment	<u>(465,191)</u>	<u>-</u>	(465,191)	100.0%
Net position, January 1, restated	<u>4,088,084</u>	<u>4,611,002</u>	(522,918)	(11.3%)
Net position, December 31	<u>\$ 4,152,158</u>	<u>\$ 4,553,275</u>	(401,117)	(8.8%)

Revenues



Property tax revenue constituted 85% of the total governmental activities revenues received by Fire District No. 3 of the Township of Old Bridge in 2017. In 2016 the property tax revenue also constituted 85% of total revenues.

The Cost of Operations & Maintenance was 65% and 63% of the District’s total expenses in 2017 and 2016 respectively. Administration expenses equaled 12% and 12% of the total expenses in 2017 and 2016 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, 2017, the combined balance of the governmental cash funds of Fire District No. 3 of the Township of Old Bridge was approximately \$3.26 million. This balance is approximately \$354,300 higher than last year's combined governmental funds balance. The increase is due primarily to the surplus in the operations and capital fund.

The combined balance of the governmental funds of Fire District No. 3 of the Township of Old Bridge was approximately \$4.24 million. Unreserved fund balance amounted to approximately \$1.42 million of that total. Funds of \$205,000 have been designated for use in the 2018 Budget.

The general fund is the main operating fund of Fire District No. 3 of the Township of Old Bridge. At the end of 2017, the total fund balance of the general fund was approximately \$2.60 million. Of this balance, approximately \$1.42 of it was unreserved.

During 2017 the general fund balance of Fire District No. 3 of the Township of Old Bridge increased by approximately \$1.19 million. The primary reasons for this increase are as follows:

- The Board had revenues in excess of revenues of approximately \$129,800.
- The Board had a prior period adjustment from restating LOSAP funds of approximately \$1.06 million.

At the end of 2017, the District had a capital projects fund balance of approximately \$1.64 million. This is an increase of approximately \$155,500.

- The Board appropriated \$330,000 for future capital purchases and purchases capital assets of approximately \$174,500.

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 2017 were approximately 13% of the operating revenues.

The District utilized \$75,000 of unrestricted fund balance and \$700,000 of restricted fund balance accumulated from prior years in the 2017 Budget. The District operated at a surplus in the current year of approximately \$227,000. The 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 \$59,500 in 2017.

Overall, the District spent approximately \$1.08 million less than originally anticipated in the operating budget for 2017.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2017 Fire District No. 3 of the Township of Old Bridge had invested in capital assets for government activities of approximately \$2.44 million (net of accumulated depreciation). Capital assets consist of firehouse improvements, fire apparatus, fire equipment, and office equipment. They purchased approximately \$174,500 of equipment in 2017.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
CAPITAL ASSETS
(NET OF ACCUMULATED DEPRECIATION)
DECEMBER 31, 2017

	2017	2016	\$ Increase (Decrease)
Capital assets			
Building and improvements	\$ 566,355	\$ 566,355	-
Vehicles	4,860,665	4,771,346	89,319
Equipment	<u>853,109</u>	<u>790,973</u>	62,136
Total capital assets	6,280,129	6,128,674	151,455
Accumulated depreciation	<u>(3,839,217)</u>	<u>(3,568,883)</u>	(270,334)
Total capital assets, net	<u>\$ 2,440,912</u>	<u>\$ 2,559,791</u>	(118,879)

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 2017, 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 2017 the fire tax levy amounted to 85% of total revenue collected.

Fire District No. 3 of the Township of Old Bridge adopted their 2018 budget on January 17, 2018. The voters subsequently voted to approve the budget at the February election.

The 2018 budget reflects an 8.7% increase in the tax levy compared to 2017. The 2018 budget anticipates the use of \$205,000 of fund balance appropriated.

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, 2017

	<u>Governmental Activities</u>
	<u>2017</u>
Assets:	
Current assets:	
Cash (Note 3)	\$ 3,259,916
Prepaid expenses	76,422
Total current assets	<u>3,336,338</u>
Noncurrent assets:	
Investment in length of service award program (Note 4)	<u>999,702</u>
Total noncurrent assets	<u>999,702</u>
Capital assets, net:	
Depreciable (Note 5)	<u>2,440,912</u>
Total capital assets	<u>2,440,912</u>
Total assets	<u>6,776,952</u>
Deferred outflows of resources:	
Deferred outflows related to pension (Note 9)	309,740
Deferred outflows related to investment in length of service award program (Note 8)	<u>315,696</u>
Total deferred outflows of resources	<u>625,436</u>
Total assets and deferred outflows of resources	<u>\$ 7,402,388</u>
Liabilities:	
Current liabilities:	
Accounts payable	\$ 10,998
Payroll deductions payable	6,594
Pension payable	23,201
Other payables	<u>4,235</u>
Total current liabilities	<u>45,028</u>
Noncurrent liabilities:	
Compensated absences (Note 7)	8,668
Net investment in length of service award program (Note 8)	2,340,006
Net pension liability (Note 9)	<u>681,672</u>
Total noncurrent liabilities	<u>3,030,346</u>
Total liabilities	<u>3,075,374</u>
Deferred inflows of resources:	
Deferred inflows related to pensions (Note 9)	174,855
Deferred outflows related to investment in length of service award program (Note 8)	<u>1</u>
Total deferred inflows of resources	<u>174,856</u>
Total liabilities and deferred inflows of resources	<u>3,250,230</u>
Net position:	
Net investment in capital assets	2,440,912
Restricted net position:	
Capital	1,641,195
Unrestricted	<u>70,051</u>
Total net position	<u>4,152,158</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 7,402,388</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
Statement of Activities
For the year ended December 31, 2017

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities</u> <u>2017</u>
Government activities:			
Operation appropriations:			
Administration	\$ 221,117	\$ -	\$ 221,117
Costs of operations and maintenance	1,160,187	243,674	916,513
Operating appropriations offset with revenues	288,971	-	288,971
Length of service award contribution	124,612	-	124,612
	1,794,887	243,674	1,551,213
Total government activities			
General revenues:			
Miscellaneous revenue			21,326
Operating grant revenues			9,486
Amount raised by taxation			1,584,475
			1,615,287
Total general revenues			
Change in net position			64,074
Net position, January 1, unadjusted			4,553,275
Prior period adjustment (Note 16)			(465,191)
			4,088,084
Net position, January 1, restated			
Net position, December 31			\$ 4,152,158

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, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u> <u>December 31,</u> <u>2017</u>
Assets:			
Current assets:			
Cash	\$ 1,054,909	\$ 2,205,007	\$ 3,259,916
Other receivables	<u>563,812</u>	<u>-</u>	<u>563,812</u>
Total current assets	<u>1,618,721</u>	<u>2,205,007</u>	<u>3,823,728</u>
Noncurrent assets			
Investment in length of service award program	<u>999,702</u>	<u>-</u>	<u>999,702</u>
Total noncurrent assets	<u>999,702</u>	<u>-</u>	<u>999,702</u>
Total assets	<u>\$ 2,618,423</u>	<u>\$ 2,205,007</u>	<u>\$ 4,823,430</u>
Liabilities, equity and other credits:			
Accounts payable	\$ 10,998	\$ -	\$ 10,998
Payroll deductions payable	6,594	-	6,594
Other payables	<u>4,235</u>	<u>563,812</u>	<u>568,047</u>
Total liabilities	<u>21,827</u>	<u>563,812</u>	<u>585,639</u>
Fund balances:			
Restricted for:			
Capital	-	786,695	786,695
Investment in length of service award program	1,124,314	-	1,124,314
Subsequent year's expenditures - capital	-	205,000	205,000
Assigned for:			
Other purposes	56,961	649,500	706,461
Unassigned, reported in:			
General fund	<u>1,415,321</u>	<u>-</u>	<u>1,415,321</u>
Total fund balance	<u>2,596,596</u>	<u>1,641,195</u>	<u>4,237,791</u>
Total liabilities and fund balance	<u>\$ 2,618,423</u>	<u>\$ 2,205,007</u>	

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.	76,422
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$6,280,129 and the accumulated depreciation is \$3,839,217.	2,440,912
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.	450,580
Accrued PERS pension payable is not recorded in financial statements of governmental funds.	(23,201)
Long-term liabilities, including net pension liability, bonds payable, 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.	<u>(3,030,346)</u>
Net position of government activities	<u>\$ 4,152,158</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, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals December 31, 2017</u>
Revenues:			
Miscellaneous anticipated revenue:			
Investment income - unrestricted cash and investments	\$ 17,724	\$ -	\$ 17,724
Investment income - length of service award program	30,899	-	30,899
Other revenue	3,602	-	3,602
Total miscellaneous revenues	<u>52,225</u>	<u>-</u>	<u>52,225</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	142,035	-	142,035
Penalties and fines	11,226	-	11,226
Other revenues	90,413	-	90,413
Total uniform fire safety act revenues	<u>243,674</u>	<u>-</u>	<u>243,674</u>
Total miscellaneous revenues offset with appropriations	<u>243,674</u>	<u>-</u>	<u>243,674</u>
Total revenues	<u>305,385</u>	<u>-</u>	<u>305,385</u>
Amount raised by taxation to support district budget			
	<u>1,254,475</u>	<u>330,000</u>	<u>1,584,475</u>
Total anticipated revenues	<u>1,559,860</u>	<u>330,000</u>	<u>1,889,860</u>
Expenditures:			
Operating appropriations:			
Administration:			
Salaries and wages	92,572	-	92,572
Fringe benefits	51,275	-	51,275
Other expenditures:			
Professional fees	33,834	-	33,834
Elections	3,720	-	3,720
Utilities	7,814	-	7,814
Office supplies	31,497	-	31,497
Total administration	<u>220,712</u>	<u>-</u>	<u>220,712</u>
Cost of operations and maintenance:			
Other expenditures:			
Rental charges	125,208	-	125,208
Insurance	173,925	-	173,925
Advertising	-	-	-
Training and education	29,151	-	29,151
Uniforms	39,686	-	39,686
Maintenance and repairs	244,196	-	244,196
Fire protection services	172,185	-	172,185
Other non-bondable assets	42,731	-	42,731
Total cost of operations and maintenance	<u>827,082</u>	<u>-</u>	<u>827,082</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, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
			<u>December 31, 2017</u>
Operating appropriations offset with revenues:			
Salaries and wages	145,903	-	145,903
Fringe benefits	99,961	-	99,961
Other expenditures	43,107	-	43,107
	<hr/>	<hr/>	<hr/>
Total operating appropriations offset with revenues	288,971	-	288,971
	<hr/>	<hr/>	<hr/>
Length of service award program			
Administrative fees	136	-	136
Participant withdrawals	93,135	-	93,135
	<hr/>	<hr/>	<hr/>
Total length of service award program	93,271	-	93,271
	<hr/>	<hr/>	<hr/>
Total operating appropriations	1,430,036	-	1,430,036
	<hr/>	<hr/>	<hr/>
Capital expenditures:			
Vehicles	-	174,477	174,477
	<hr/>	<hr/>	<hr/>
Total capital expenditures	-	174,477	174,477
	<hr/>	<hr/>	<hr/>
Total governmental expenditures	1,430,036	174,477	1,604,513
	<hr/>	<hr/>	<hr/>
Excess of revenues over expenditures	129,824	155,523	285,347
Fund balance, January 1, unadjusted	1,404,698	1,485,672	2,890,370
Prior period adjustment (Note 16)	1,062,074	-	1,062,074
Fund balance, January 1, restated	2,466,772	1,485,672	3,952,444
	<hr/>	<hr/>	<hr/>
Fund balance, December 31	<u>\$ 2,596,596</u>	<u>\$ 1,641,195</u>	<u>\$ 4,237,791</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, 2017

Total net changes in Fund Balance-Governmental Funds (B-2)	\$	285,347
<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		174,477
Depreciation Expense		<u>(293,356)</u>
		(118,879)
<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		(77,480)
Current year		<u>76,422</u>
		(1,058)
<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 - PERS contribution - 2017		23,201
LOSAP credit/(expense)		186,437
Pension expense		<u>(76,247)</u>
		133,391
<p>In the statement of activities, LOSAP benefits are measured by the amount that is to be provided for accrued plan benefits. In the governmental fund, however, expenditures for these items are reported in the amount of financial resources used, essentially, the amounts actually paid. This year the change to be provided for accrued plan benefits was \$172,082.</p>		
		(172,082)
<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 contribution 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>		
District contribution to length of service award program		(124,612)
Appreciation in fair value of investments		(30,899)
Administrative fees		136
Participant withdrawals		<u>93,135</u>
		(62,240)
<p>In the statement of activities, certain operating expenses, e.g., compensate 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 \$405.</p>		
		<u>(405)</u>
Changes in net position of governmental activities:	\$	<u><u>64,074</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
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2017

		<u>Totals</u>
	<u>Unemployment Compensation</u>	<u>December 31, 2017</u>
Assets:		
Cash	\$ 86,018	\$ 86,018
Other receivables	4,235	4,235
Total assets	<u>\$ 90,253</u>	<u>\$ 90,253</u>
Net position:		
Reserved:		
For unemployment claims	90,253	90,253
Total net position	<u>\$ 90,253</u>	<u>\$ 90,253</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, 2017

		<u>Totals</u>
	<u>Unemployment Compensation</u>	<u>December 31, 2017</u>
Revenues and other financing sources:		
Employee contributions	\$ 364	\$ 364
District contributions	3,871	3,871
Total contributions	<u>4,235</u>	<u>4,235</u>
Investment earnings:		
Interest	<u>86</u>	<u>86</u>
Total investment earnings	<u>86</u>	<u>86</u>
Total revenues and other financing sources	<u>4,321</u>	<u>4,321</u>
Excess of revenues and other financing sources over expenditures	4,321	4,321
Net position, January 1	<u>85,932</u>	<u>85,932</u>
Net position, December 31	<u><u>90,253</u></u>	<u><u>90,253</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
Notes to Financial Statements
For the year ended December 31, 2017

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, 2017:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
Bertus A. Shelters, IV	2019
Chester T. Hammel	2018
Gary Filik	2018
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, 2017

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: Omnis - 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 as of for the year ended December 31, 2017.

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, 2017

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, 2017

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, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets and Budgetary 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 the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Fire District No. 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, 2017 totaled \$56,961 in the general fund and \$649,500 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, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Cash, Cash Equivalents and Investments

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

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

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	10 to 25 years
Equipment	5 to 20 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, 2017

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, 2017

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 authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Business Administrator.
- Unassigned – includes balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2017

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, 2017:

Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The adoption of this Statement resulted in a prior period adjustment. See Note 16 for additional information.

Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The adoption of this Statement had no 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, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U. Impact of Recently Issued Accounting Principles (continued)

Statement No. 77, Tax Abatement Disclosures. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. The adoption of this Statement had no impact on the District's financial statements.

Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. The adoption of this Statement had no impact on the District's financial statements.

Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The adoption of this Statement had no impact on the District's financial statements.

Recently Issued Accounting Pronouncements

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

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 will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the District's financial statements.

Statement No. 80, Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. This Statement will be effective for the year ended December 31, 2018. Management does not expect this Statement to have a material impact on the District's financial statements.

Statement No. 81, Irrevocable Split-Interest Agreements. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will be effective for the year ended December 31, 2018. Management does not expect this Statement to 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, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U. Impact of Recently Issued Accounting Principles (continued)

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 will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the District's financial statements.

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. This Statement will be effective for the year ended December 31, 2019. 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. This Statement will be effective for the year ended December 31, 2019. Management has not yet determined the potential impact on the District's financial statements.

Statement No. 85, Omnibus 2017. This Statement provides guidance that addresses several different accounting and financial reporting issues identified during the implementation and application of other GASB pronouncements. This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the District's financial statements.

Statement No. 86, Accounting for Certain Debt Extinguishment. Statement No. 86 provides guidance for transactions in which cash and other monetary assets acquired with only existing resources, that is, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement will be effective for the year ended December 31, 2018. Management does not expect this Statement to have a material 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. This Statement will be effective for the year ended December 31, 2020. Management has not yet determined the potential 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, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

V. 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:

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

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

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, 2017.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

W. Subsequent Events

Fire District No. 3 of the Township of Old Bridge has evaluated subsequent events occurring after December 31, 2017 through the date of August 21, 2018, 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, 2017, and reported at fair value are as follows:

<u>Type</u>	<u>Carrying Value</u>
Deposits:	
Demand deposits	\$ 3,345,934
Total deposits	<u>\$ 3,345,934</u>
 Reconciliation to Governmental and Fiduciary Fund statements:	
Governmental Funds	\$ 3,259,916
Fiduciary Funds	\$ 86,018
Total	<u>\$ 3,345,934</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, 2017, the District's bank balance of \$3,386,964 was insured or collateralized as follows:

Insured	\$ 500,000
Collateralized in the District's name under GUDPA	<u>2,886,964</u>
Total	<u>\$ 3,386,964</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, 2017

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, 2017, 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, 2017, the Fire District had the following investments and maturities:

	Assets at Fair Value as of December 31, 2017			
	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
LOSAP:				
Fixed Account Investment	\$ _____ -	\$ _____ -	\$ 999,702	\$ 999,702
Total assets at fair value	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ 999,702</u>	<u>\$ 999,702</u>

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, 2017.

	Level III Assets Year Ended <u>December 31, 2017</u>
Balance, beginning of year	\$ 1,062,074
Purchases, sales, issuances and settlements (net)	(93,271)
Gains & (Losses)	<u>30,899</u>
Balance, end of year	<u>\$ 999,702</u>

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2017

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, 2017:

	<u>Balance</u> <u>12/31/2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2017</u>
Governmental activities				
Capital assets				
Buildings and Improvements	\$ 566,355	\$ -	\$ -	\$ 566,355
Vehicles	4,771,346	112,341	(23,022)	4,860,665
Equipment	<u>790,973</u>	<u>62,136</u>	<u>-</u>	<u>853,109</u>
Total Capital Assets at historical costs	<u>6,128,674</u>	<u>174,477</u>	<u>(23,022)</u>	<u>6,280,129</u>
Less: accumulated depreciation				
Buildings and improvements	(360,100)	(24,356)	-	(384,456)
Vehicles	(2,759,588)	(195,697)	23,022	(2,932,263)
Equipment	<u>(449,195)</u>	<u>(73,303)</u>	<u>-</u>	<u>(522,498)</u>
Total accumulated depreciation	<u>(3,568,883)</u>	<u>(293,356)</u>	<u>23,022</u>	<u>(3,839,217)</u>
Total capital assets, net of accumulate depreciation	<u>\$ 2,559,791</u>	<u>\$ (118,879)</u>	<u>\$ -</u>	<u>\$ 2,440,912</u>

NOTE 6: LONG-TERM OBLIGATIONS

During the year ended December 31, 2017, the following changes occurred in long-term obligations:

	<u>Balance</u> <u>12/31/2016</u>	<u>Accrued/</u> <u>increases</u>	<u>(Retired)/</u> <u>(decreases)</u>	<u>Balance</u> <u>12/31/2017</u>	<u>Due within</u> <u>One Year</u>
Compensated absences	\$ 8,263	\$ 405	\$ -	\$ 8,668	\$ -
Net investment in length of service awards program	1,976,426	363,580	-	2,340,006	-
Net pension liability	<u>773,478</u>	<u>-</u>	<u>(91,806)</u>	<u>681,672</u>	<u>-</u>
Total	<u>\$ 2,758,167</u>	<u>\$ 363,985</u>	<u>\$ (91,806)</u>	<u>\$ 3,030,346</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.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 7: VESTED EMPLOYEE BENEFITS (continued)

For the year ended December 31, 2017, the District did not have a current liability for compensated absences. The amounts included in the long-term liabilities consists of the following:

	<u>2017</u>
Total Compensated Absences	\$ 8,668

NOTE 8: LENGTH OF SERVICE AWARD 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 2017 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, 2017, the District’s contractually required contribution to the plan was \$104,713.

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.

Components of Net Pension Liability – At December 31, 2017, the District’s net pension liability relating to the length of service awards program was \$2,340,006. The net pension liability was measured as of December 31, 2017. The net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of January 1, 2017, which was rolled forward to December 31, 2017. The components of the net pension liability at December 31, 2017, were as follows:

Collective Balances at December 31, 2017

	<u>12/31/2017</u>
Actuarial valuation date	January 1, 2017
Deferred outflows of resources	\$ 315,696
Deferred inflows of resources	1
Plan fiduciary liability	-
Net pension liability	2,340,006
Plan fiduciary net position as a percentage of the total pension liability	0.00%

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 8: LENGTH OF SERVICE AWARD PROGRAM (continued)

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

	<u>Increase (Decrease)</u>		
	<u>Total pension liability (a)</u>	<u>Plan fiduciary net position (b)</u>	<u>Net pension liability (a) - (b)</u>
Balance at 1/1/17	\$ 1,976,426	\$ -	\$ 1,976,426
Changes for the year:			
Service costs	41,149	-	41,149
Interest	63,868	-	63,868
Changes in benefit terms	-	-	-
Differences in expected and actual experience	(1)	-	(1)
Changes in assumptions	360,795	-	360,795
Benefit payments and expenses	<u>(102,231)</u>	<u>-</u>	<u>(102,231)</u>
Net changes	<u>363,580</u>	<u>-</u>	<u>363,580</u>
Balance at 12/31/17	<u>\$ 2,340,006</u>	<u>\$ -</u>	<u>\$ 2,340,006</u>

Pension Expense – The pension expense, calculated by the plan as of the December 31, 2017 measurement date is \$150,116 as follows:

<u>Note</u>	<u>Description</u>	<u>Amount</u>
A	Service cost	\$ 41,149
B	Interest on the total pension liability	63,868
A	Changes of benefits terms	-
C	Differences between expected and actual experience	-
C	Changes of assumptions	<u>45,099</u>
	Total pension expense relating to LOSAP	<u>\$ 150,116</u>

Notes:

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

Amount for period (a)	Portion of period (b)	Projected rate of return (c)	Projected Earnings (a) x (b) x (c)
\$ 1,976,426	100%	3.31%	\$ 65,420
41,149	0%	3.31%	-
(93,802)	100%	3.31%	<u>(1,552)</u>
			<u>\$ 63,868</u>

- C Provided in summary of deferred outflows and deferred inflows

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 8: LENGTH OF SERVICE AWARD PROGRAM (continued)

Deferred Outflows/Inflows of Resources – At December 31, 2017, 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	\$ -	\$ 1
Changes of Assumptions	<u>315,696</u>	<u>-</u>
	<u>\$ 315,696</u>	<u>\$ 1</u>

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, 2017	8.00	-
Changes of assumptions		
Year of LOSAP plan deferral:		
December 31, 2017	8.00	-

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 ending December 31,</u>	<u>Amount</u>
2018	\$ 45,099
2019	45,099
2020	45,099
2021	45,099
2022	45,099
Thereafter	<u>90,200</u>
	<u>\$ 315,695</u>

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 8: LENGTH OF SERVICE AWARD PROGRAM (continued)

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to December 31, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	0.00%
Salary Increases:	Not Applicable
Investment Rate of Return	3.31%
	net of pension plan investment expense, including inflation
Mortality Rate Table	1994 Group Annuity
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, 2017 actuarial valuation report.

Discount Rate – The discount rate used to measure the total pension liability was 3.31% which is based on the 20-year AA general obligation bond rate as of December 31, 2017.

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 (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	1% Decrease <u>(2.61%)</u>	Current Discount Rate <u>(3.61%)</u>	1% Increase <u>(4.61%)</u>
Net Pension Liability - LOSAP	\$ <u>2,509,845</u>	\$ <u>2,340,006</u>	\$ <u>2,166,396</u>

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 9: PENSION OBLIGATIONS

A. Public Employees' Retirement System (PERS)

Plan Description - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to 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, 2017

NOTE 9: PENSION OBLIGATIONS (continued)

A 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 2017, 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, 2017, the District's contractually required contribution to PERS plan was \$27,128.

Components of Net Pension Liability – At December 31, 2017, the District's proportionate share of the PERS net pension liability was \$681,672. The net pension liability was measured as of June 30, 2017. 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, 2016, which was rolled forward to June 30, 2017. 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, 2017. The District's proportion measured as of June 30, 2017, was 0.0029283462% which was an increase of 0.0003167554% from its proportion measured as of June 30, 2016.

Collective Balances at December 31, 2017 and December 31, 2016

	<u>12/31/2017</u>	<u>12/30/2016</u>
Actuarial valuation date (including roll forward)	June 30, 2017	June 30, 2016
Deferred Outflows of Resources	\$ 309,740	\$ 326,584
Deferred Inflows of Resources	174,855	53,609
Net Pension Liability	681,672	773,478
Fire District No. 3 of the Township of Old Bridge's portion of the Plan's total net pension Liability	0.00293%	0.00261%

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 9: PENSION OBLIGATIONS (continued)

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

Pension Expense and Deferred Outflows/Inflows of Resources – At December 31, 2017, the District's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2017 measurement date is \$73,413. At December 31, 2017, 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	\$ 16,051	\$ -
Changes of Assumptions	137,333	136,830
Net Difference between Projected and Actual Earnings on Pension Plan Investments	4,642	-
Changes in Proportion and Differences between Fire District No. 3 of the Township of Old Bridge's Contributions and Proportion Share of Contributions	157,714	38,052
	<u>\$ 309,740</u>	<u>\$ 174,855</u>

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 9: PENSION OBLIGATIONS (continued)

A 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	-
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
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	-
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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 9: PENSION OBLIGATIONS (continued)

A 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>
2018	\$ 32,181
2019	37,324
2020	39,255
2021	30,872
2022	<u>(4,717)</u>
	<u>\$ 134,885</u>

Actuarial Assumptions – The total pension liability for the June 30, 2017 measurement date was determined by using an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. 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, 2017

NOTE 9: PENSION OBLIGATIONS (continued)

A 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, 2016 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, 2017) 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long –Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public 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	<u>8.25%</u>	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, 2017

NOTE 9: PENSION OBLIGATIONS (continued)

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

Discount Rate – The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. 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 3.58% as of June 30, 2017 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 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 (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	1%	Current Discount Rate	1%
	Decrease	Rate	Increase
	<u>(4.00%)</u>	<u>(5.00%)</u>	<u>(6.00%)</u>
Fire District No. 3 of the Township of Old Bridge's Proportionate Share of the Net Pension Liability	<u>\$ 845,661</u>	<u>\$ 681,672</u>	<u>\$ 545,050</u>

NOTE 10: 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.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 11: INTERFUND RECEIVABLE/PAYABLE

The purpose of the interfunds is for short-term borrowing. As of December 31, 2017, the following interfund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
General	\$ 563,812	\$ 4,235
Capital projects	-	563,812
Unemployment	4,235	-
Totals	<u>\$ 568,047</u>	<u>\$ 568,047</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.

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
General	\$ 37,556	\$ -
Capital projects	-	37,556
Totals	<u>\$ 37,556</u>	<u>\$ 37,556</u>

NOTE 12: 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, 2017, the fire tax rate on the Fire District No. 3 was approximately \$.089 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 13: 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.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2017

NOTE 13: RISK MANAGEMENT (continued)

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>
2017	\$ 87	\$ 3,871	\$ 364	-	\$ 90,254
2016	82	5,003	364	-	85,932
2015	75	6,668	302	-	80,483

NOTE 14: POST-RETIREMENT BENEFITS

The District participates in the New Jersey State Health Benefits Program (“the SHBP”), which qualifies as a cost-sharing, multiple-employer plan in accordance with GASB Statement 45 “Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions” (“OPEB”). The SHBP is administered by the State of New Jersey, Department of Treasury, Division of Pensions and Benefits.

Under the SHBP, retirees may continue the health benefits programs in which they are enrolled at the time of retirement, provided the retiree pays the costs of the benefits (at group rates) for themselves and their eligible dependents.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the SHBP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The SHBP is established under the District of N.J.S.A. 52:14-17.25 et seq. and regulations adopted by the State Health Benefits Commission. The required contribution rate is determined on an annual pay as you go basis.

NOTE 15: FUND BALANCE

General Fund – Of the \$2,596,596 General Fund fund balance at December 31, 2017, \$56,961 has been assigned for other purposes, \$1,124,314 is restricted for investment in length of service award program and \$1,415,321 is unassigned.

Capital Projects Fund – Of the \$1,641,195 Capital Projects Fund fund balance at December 31, 2017, \$786,795 is restricted for Capital, \$205,000 is restricted for subsequent year’s expenditures and \$649,500 is 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, 2017

NOTE 16: PRIOR PERIOD ADJUSTMENT

Net position as of January 1, 2017, has been restated as follows for the implementation of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Net position was restated as follows:

	<u>Governmental Activities</u>	<u>Governmental Fund: General Fund</u>	<u>Fiduciary Fund: Length of Service Award Program</u>
Net position as previously reported at December 31, 2016	\$ 4,553,275	\$ 1,404,698	\$ 1,062,074
Prior period adjustment - implementation of GASB 73:			
Reclassification of length of service award program investment balance from Fiduciary Fund to Governmental Fund	1,062,074	1,062,074	(1,062,074)
Addition of net length of service awards program liability	<u>(1,527,265)</u>	<u>-</u>	<u>-</u>
Total prior period adjustment	<u>(465,191)</u>	<u>1,062,074</u>	<u>(1,062,074)</u>
Net position as restated January 1, 2017	<u>\$ 4,088,084</u>	<u>\$ 2,466,772</u>	<u>\$ -</u>

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Budgetary Comparison Schedule
For the year ended December 31, 2017

	<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	17,724	15,724
Other revenue	-	-	3,602	3,602
Total miscellaneous revenues	<u>2,000</u>	<u>2,000</u>	<u>21,326</u>	<u>19,326</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	85,000	85,000	142,035	57,035
Penalties and fines	3,500	3,500	11,226	7,726
Other revenues	<u>115,000</u>	<u>115,000</u>	<u>90,413</u>	<u>(24,587)</u>
Total uniform fire safety act revenues	<u>203,500</u>	<u>203,500</u>	<u>243,674</u>	<u>40,174</u>
Total miscellaneous revenues offset with appropriations	<u>203,500</u>	<u>203,500</u>	<u>243,674</u>	<u>40,174</u>
Total revenues	<u>214,986</u>	<u>214,986</u>	<u>274,486</u>	<u>59,500</u>
Amount raised by taxation to support district budget	<u>1,584,475</u>	<u>1,584,475</u>	<u>1,584,475</u>	<u>-</u>
Total anticipated revenues	<u>1,799,461</u>	<u>1,799,461</u>	<u>1,858,961</u>	<u>59,500</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	95,753	93,253	92,572	681
Fringe benefits	55,324	56,324	51,275	5,049
Other expenditures:				
Professional fees	35,000	35,000	33,834	1,166
Elections	7,000	7,000	3,720	3,280
Utilities	16,000	14,748	7,814	6,934
Maintenance Contracts	30,000	32,028	-	32,028
Office supplies	<u>36,500</u>	<u>37,000</u>	<u>31,497</u>	<u>5,503</u>
Total administration	<u>275,577</u>	<u>275,353</u>	<u>220,712</u>	<u>54,641</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, 2017

	<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	150,000	169,200	173,925	(4,725)
Advertising	9,000	9,000	-	9,000
Training and education	44,650	40,050	29,151	10,899
Uniforms	46,735	50,344	39,686	10,658
Maintenance and repairs	229,000	255,626	244,196	11,430
Fire protection services	172,185	172,185	172,185	-
Contingencies	100	100	-	100
Other non-bondable assets	70,650	74,111	42,731	31,380
Total cost of operations and maintenance	<u>847,528</u>	<u>895,824</u>	<u>827,082</u>	<u>68,742</u>
Operating appropriations offset with revenues:				
Salaries and wages	144,503	148,503	145,903	2,600
Fringe benefits	91,453	102,953	99,961	2,992
Other expenditures	50,400	57,675	43,107	14,568
Total operating appropriations offset with revenues	<u>286,356</u>	<u>309,131</u>	<u>288,971</u>	<u>20,160</u>
Length of service award program	135,000	135,000	124,612	10,388
Capital appropriations	<u>1,030,000</u>	<u>1,044,071</u>	<u>174,477</u>	<u>869,594</u>
Total appropriations	<u>2,574,461</u>	<u>2,659,379</u>	<u>1,635,854</u>	<u>1,023,525</u>
Excess (efficiency) of revenues over (under) expenditures	(775,000)	(859,918)	223,107	1,083,025
Fund balance, January 1	<u>2,890,370</u>	<u>2,890,370</u>	<u>2,890,370</u>	<u>-</u>
Fund balance, December 31	<u>\$ 2,115,370</u>	<u>\$ 2,030,452</u>	<u>\$ 3,113,477</u>	<u>\$ 1,083,025</u>

RECAPITULATION OF FUND BALANCE

Restricted fund balance:	
Capital reserve	\$ 786,695
Subsequent year's expenditures - capital	205,000
Assigned fund balance:	
Other purposes	706,461
Unassigned fund balance	<u>1,415,321</u>
Total - budgetary basis	<u>3,113,477</u>
Reconciliation to governmental fund statements (GAAP):	
Length of service award program investment balance not recognized on the budgetary basis	<u>1,124,314</u>
Total fund balance per governmental funds (GAAP)	<u>\$ 4,237,791</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, 2017

	<u>Total Governmental Funds</u>
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) "Revenue"	
From the Budgetary Comparison Schedule (C-1)	\$ 1,858,961
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>30,899</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u><u>\$ 1,889,860</u></u>
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Appropriations"	
From the Budgetary Comparison Schedule (C-1)	\$ 1,635,854
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	(124,612)
Administrative fees	136
Participant withdrawals	<u>93,135</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u><u>\$ 1,604,513</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 Ten Fiscal Years

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

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

	Year Ended December 31,				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Contractually Required Contribution	\$ 27,128	\$ 23,201	\$ 16,439	\$ 15,204	\$ 17,853
District's Contribution in Relation to the Contractually Required Contribution	<u>(27,128)</u>	<u>(23,201)</u>	<u>(16,439)</u>	<u>(15,204)</u>	<u>(17,853)</u>
District's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 203,577	\$ 179,183	\$ 175,254	\$ 131,194	\$ 139,882
District's Contributions as a Percentage of it's Covered-Employee Payroll	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.

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

2017

Total pension liability:		
Service cost	\$	41,149
Interest		63,868
Changes in benefit terms		-
Differences between expected and actual experience		(1)
Changes in assumptions		360,795
Payments for benefits and admin expenses		(102,231)
Net change in total pension liability		<u>363,580</u>
Total pension liability - beginning		<u>1,976,426</u>
Total pension liability - ending	\$	<u><u>2,340,006</u></u>
Net pension liability - LOSAP	\$	<u><u>2,340,006</u></u>
Plan fiduciary net position as a percentage of the total pension liability		0.00%
District's covered payroll		\$203,577
Net pension liability as a percentage of covered payroll		1149.45%
Expected average remaining service years for all participants		8

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, 2017**

Public Employees' Retirement System (PERS)

Changes of Benefit Terms

None.

Changes of Assumptions

The discount rate changed from 3.98% as of June 30, 2016, to 5.00% as of June 30, 2017.

Length of Service Awards Program (LOSAP)

Changes of Benefit Terms

None.

Changes of Assumptions

Mortality table changed from UP84 setback 3 years to GAR94.



Board of Fire Commissioners
Fire District No. 3 of the Township of Old Bridge
Old Bridge, New Jersey 08857

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, 2017. 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.

Review of the minutes and financial transactions did not identify any bids requested by public advertising.

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 minutes do not indicate quotes were obtained for any services.

General Ledger

The general ledger was complete with the required journal entries.

Examination of Bills

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

***Finding 2017-01:**

The District did not maintain accurate records for accounts payable at year end.

Recommendation:

The District must maintain accurate records of accounts payable at year end.

Management's Response:

This finding will be corrected in the fiscal year ending December 31, 2018.

Property, Plant & Equipment

The property and equipment subsidiary ledger was maintained properly and a reconciliation between the physical and perpetual inventory records was performed at year-end.

Follow-up on Prior Years' Findings

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year findings. The previous year audit findings have been corrected except for those marked with an asterisk (*).

Acknowledgment

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

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

Should you have any questions, please contact us.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

August 21, 2018
Toms River, New Jersey