

**FIRE DISTRICT NO. 4  
OF THE TOWNSHIP OF OLD BRIDGE**

**Financial Statements and Supplementary Schedules**

**For the year ended December 31, 2016**

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Financial Statements and Supplementary Schedules**  
**For the year ended December 31, 2016**  
**(With Independent Auditor's Report thereon)**

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## INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners  
Fire District No. 4 of the Township of Old Bridge:

### 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. 4 of the Township of Old Bridge, County of Monmouth, State of New Jersey, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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

## ***Summary of Opinions***

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Qualified
Capital Projects Fund	Unmodified
Debt Service Fund	Unmodified
Fiduciary Funds	Qualified

### ***Basis for Qualified Opinion on Governmental Activities and General Fund***

The District could not provide the appropriate supporting documentation to support the fire prevention bureau revenues of annual registration fees and penalties and fines. The effect of this departure on the financial statements was not available upon issuance of this report.

### ***Basis for Qualified Opinion on Fiduciary Funds***

The District could not provide a formal LOSAP plan document to determine eligibility of participants. The effect of this departure on the financial statements was not available upon issuance of this report.

## ***Opinions***

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities and General Fund” and the “Basis for Qualified Opinion on Fiduciary Funds” paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 4 of the Township of Old Bridge, County of Monmouth, State of New Jersey, as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Unmodified Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the capital projects fund and the debt service fund, and the aggregate remaining fund information of the Fire District No. 4 of the Township of Old Bridge, as of December 31, 2016, 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, analysis, budgetary comparison information, schedule of the District’s proportionate share of the net pension liability –PFRS, schedule of District contributions – PFRS and notes to the required supplementary information, as listed on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an

opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fire District No. 4 of the Township of Old Bridge's basic financial statements. The long-term debt schedule of serial bonds payable as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The long-term debt schedule of obligations under capital leases is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the long-term debt schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2017 on our consideration of the Fire District No. 4 of the Township of Old Bridge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fire District No. 4 of the Township of Old Bridge's internal control over financial reporting and compliance.

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

September 7, 2017  
Toms River, New Jersey



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**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. 4 of the Township of Old Bridge:

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. 4 of the Township of Old Bridge, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Fire District No. 4 of the Township of Old Bridge's basic financial statements, and have issued our report thereon dated September 7, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Fire District No. 4 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. 4 of the Township of Old Bridge's internal control. Accordingly, we do not express an opinion on the effectiveness of Fire District No. 4 of the Township of Old Bridge's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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. We consider the deficiencies described in the accompanying general comments and recommendations as items 2016-002 and 2016-003 to be material weaknesses.

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 deficiency described in the accompanying general comments and recommendations as item 2016-001 to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards or 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 which is described in the accompanying comments and recommendations section as items 2016-001, 2016-002, and 2016-003.

## **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*

September 7, 2017  
Toms River, New Jersey

**OLD BRIDGE TOWNSHIP FIRE DISTRICT NO. 4  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

As management of Old Bridge Township Fire District No. 4, we offer readers of the Old Bridge Fire District No. 4 financial statements this narrative overview and analysis of the financial activities of the Old Bridge Township Fire District No. 4 for the year ended December 31, 2016. The intent of this narrative is to look at Old Bridge Township Fire District No. 4's overall financial performance in terms easily understood by the lay person. Please read this in conjunction with the auditor's opinions 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, 2016 by approximately \$74,500. In 2015 the excess was approximately \$54,300. This is an increase of approximately \$20,200.
- During 2016 Old Bridge Township Fire District No. 4 operated at a surplus of approximately \$157,100. The District had a deficit of approximately \$90,500 in 2015. This is an increase of approximately \$247,600.
- The Board increased their receivables by approximately \$17,800.
- The District decreased their current liabilities by approximately \$50,500 in 2016.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. Old Bridge Township Fire District No. 4's basic financial statements are comprised of three components: district-wide financial statements; fund financial statements; and notes to the basic financial statements.

**Reporting on the District as a Whole**

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

The Statement of Net Position presents information on all the assets and liabilities of Old Bridge Township Fire District No. 4. The difference between the assets and liabilities is reported as the District's net position. Significant increases or decreases in the District's net position can be an indication of the financial health of the District.

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

The district-wide financial statements report on the financial data by function. Old Bridge Township Fire District No. 4 has two basic functions: activities that are supported by property taxes; and activities supported by other governmental activities. Old Bridge Township Fire District No. 4 provides firefighting services to the citizens of Old Bridge Township.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, Old Bridge Township Fire District No. 4 uses fund accounting to document compliance with finance-related legal matters. Old Bridge Township Fire District No. 4 has two types of fund groups, governmental funds and fiduciary funds.

### **Governmental Funds**

Old Bridge Township Fire District No. 4's activities are reported in governmental funds. These funds record the flow of cash in and out of the District during the period and the balances remaining at year end for future periods. The modified accrual basis of accounting is utilized for reporting purposes. This method of accounting measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services that it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's services.

Old Bridge Township Fire District No. 4 maintains two separate governmental funds, the general fund and the capital fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund 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, Old Bridge Township Fire District No. 4 adopts an annual budget which is voted on by the legal voters of the district on the third Saturday in

February. Budgetary comparison schedules have been prepared to document compliance with budgetary requirements.

**Fiduciary Funds**

Fiduciary funds are used to account for assets held by the District on behalf of outside third parties, or other funds within the District. There are two fiduciary funds in the District. One fiduciary fund is the Length of Service Award Program (LOSAP). LOSAP is an annuity program for the volunteer firefighters. The fund is used to hold the monies in reserve until the actuary determines the amount to be invested for the each volunteer (see Note 9). The other fiduciary fund is the payroll fund. This fund is used to pay salaries, payroll taxes and other payroll deductions.

**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**

Old Bridge Township Fire District No. 4’s net assets are a useful indicator of the District’s financial condition. At the end of 2016 the District’s assets exceeded the liabilities by approximately \$74,500. The largest portion of Old Bridge Township Fire District No. 4’s net assets (62.9%) 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. Old Bridge Township Fire District No. 4’s investment in capital assets is reported net of any related debt.

**Statement of Net Assets**

OLD BRIDGE TOWNSHIP FIRE DISTRICT NO. 4  
NET POSITION  
DECEMBER 31, 2016

	2016	2015	\$ Increase (Decrease)	% Increase (Decrease)
Current and Other Assets	\$ 545,534	\$ 277,782	267,752	96.4%
Capital Assets	<u>660,800</u>	<u>736,263</u>	(75,463)	(10.2%)
Total Assets	1,206,334	1,014,045	192,289	19.0%
Other Liabilities	<u>981,926</u>	<u>959,778</u>	22,148	2.3%
Net Position	<u>\$ 224,408</u>	<u>\$ 54,267</u>	170,141	313.5%

	2016	2015	\$ Increase (Decrease)	% Increase (Decrease)
<b>Analysis of Net Position</b>				
Invested in Capital Assets Net of Related Debt	\$ 404,444	\$ 451,817	(47,373)	(10.5%)
Unrestricted	<u>(180,036)</u>	<u>(397,550)</u>	(217,514)	(54.7%)
Total Net Position	<u>\$ 224,408</u>	<u>\$ 54,267</u>	170,141	313.5%

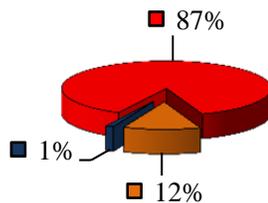
The net position of Old Bridge Township Fire District No. 4 increased approximately \$170,100 during the 2016 period. This increase was due primarily to the Board operating at a surplus of approximately \$157,100, and a prior period adjustment of approximately \$13,000.

### Governmental Activities

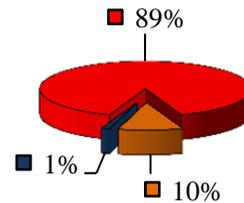
The Statement of Activities shows the cost of the governmental activities program services and the charges for services and grants offsetting these costs. A summary of these activities follows:

	2016	2015	\$ Increase (Decrease)	% Increase (Decrease)
<b>Expenses</b>				
Program Expenses				
Administrative Expenses	\$ 80,478	\$ 75,192	5,286	7.0%
Cost of Operations & Maintenance	590,754	678,869	(88,115)	(13.0%)
Interest Expense	<u>8,305</u>	<u>9,102</u>	(797)	(8.8%)
Total Program Expenses	679,537	763,163	(83,626)	(11.0%)

**2016 Program Expenses**

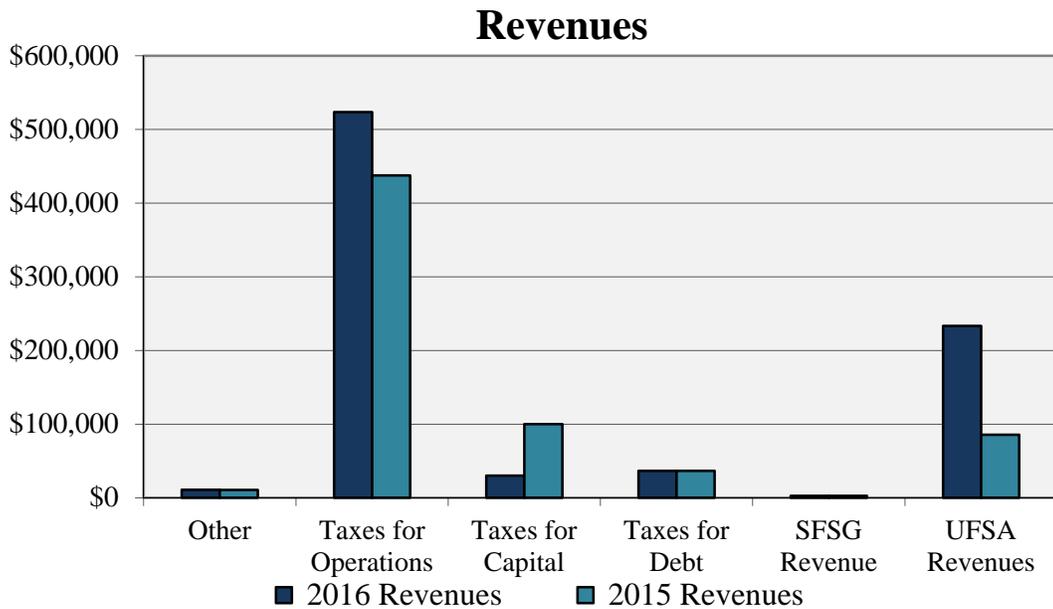


**2015 Program Expenses**



■ Administrative 
 ■ Interest 
 ■ Operations 
 ■ Administrative 
 ■ Interest 
 ■ Operations

	2016	2015	\$ Increase (Decrease)	% Increase (Decrease)
<b>Program Revenues</b>				
Charges for Services	233,353	85,406	147,947	173.2%
Operating Grants	<u>2,507</u>	<u>2,507</u>	- 0 -	0.0%
Net Program Expenses	<u>443,677</u>	<u>675,250</u>	(231,573)	(34.3%)
<b>General Revenues</b>				
Property Taxes Levied for General Purposes	523,721	437,728	85,993	19.6%
Property Taxes Levied for Capital Purchases	30,000	100,000	(70,000)	(86.0%)
Property Taxes Levied for Debt Service	36,395	36,395	- 0 -	100.0%
Other Income	<u>10,689</u>	<u>10,606</u>	83	.8%
<b>Total General Revenues</b>	<u>600,805</u>	<u>584,729</u>	16,076	2.7%
Increase(Decrease) in Net Assets	157,128	(90,521)	247,649	273.6%
Prior Period Adjustment	13,013	42,431	29,418	69.3%
Net Assets, January 1	<u>54,267</u>	<u>102,357</u>	(48,090)	(47.0%)
Net Assets, December 31	<u>\$ 224,408</u>	<u>\$ 54,267</u>	170,141	313.5%



Property tax revenue constituted 71% of the total governmental activities revenues received by Old Bridge Township Fire District No. 4 in 2016. In 2015 the property tax revenue constituted 85% of total revenues.

The Cost of Operations & Maintenance was 87% and 89% of the District's total expenses in 2016 and 2015 respectively. Administration expenses equaled 12% and 10% of the total expenses in 2016 and 2015.

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

Old Bridge Township Fire District No. 4 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, 2016, the combined balance of the governmental cash funds of Old Bridge Township Fire District No. 4 was approximately \$351,500. This balance is approximately \$188,900 higher than last year's combined governmental funds balance. The increase is due primarily to a more accurate reporting and by operating at a surplus. The funds realized a combined excess of revenues over expenditures for the year of approximately \$245,100.

The combined balance of the governmental funds of Old Bridge Township Fire District No. 4 was a surplus of approximately \$313,600.

During 2016 the general fund balance of Old Bridge Township Fire District No. 4 increased by approximately \$503,800. The primary reasons for this increase are as follows:

- The Board operated at a surplus of approximately \$490,800.
- The Board had a prior period adjustment of approximately \$13,000.

At the end of 2016, the District had a capital projects fund balance of approximately \$154,300. This was a decrease of approximately \$245,700 from the previous year. The major changes in this fund balance were:

- The budgeted appropriation of \$30,000 for future capital purchases.
- Transfer of funds to the General Fund.

## General Fund Budgetary Highlights

The original 2016 Budget was balanced with the utilization of \$15,000 of General Fund surplus and \$275,655 of Capital Funds. The Board operated at a surplus in 2016 and was not required to utilize General Fund surplus. The \$275,655 of Capital Funds was utilized to offset prior year deficit.

The District had total revenues in excess of expenditures of approximately \$245,100 in 2016, and in 2015 they experienced a deficiency of approximately \$46,900. In 2017 the Board expects a small surplus.

Administrative expenses were approximately \$1,400 lower than projected in 2016. Operating expenses were approximately \$40,000 lower than projected in 2016.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of December 31, 2016 Old Bridge Township Fire District No. 4 had invested in capital assets for government activities approximately \$660,800 (net of accumulated depreciation). Capital assets consist of fire apparatus, fire equipment, and office equipment. They purchased approximately \$3,800 of capital assets in 2016.

OLD BRIDGE TOWNSHIP FIRE DISTRICT NO. 4  
CAPITAL ASSETS  
(NET OF ACCUMULATED DEPRECIATION)  
DECEMBER 31, 2016

	2016	2015	Change
Vehicles & Apparatus	\$1,391,881	\$1,391,881	- 0 -
Fire Equipment	13,683	13,683	- 0 -
Building Improvements	<u>104,310</u>	<u>100,510</u>	3,800
Total Capital Assets	1,509,874	1,506,074	3,800
Accumulated			
Depreciation	<u>849,074</u>	<u>769,811</u>	79,263
Investment in Capital			
Assets – net	<u>\$ 660,800</u>	<u>\$ 736,263</u>	(75,463)

Additional information on Old Bridge Township Fire District No. 4's capital assets can be found in Note 5 in the notes to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEARS BUDGET**

In 2016, Old Bridge Township Fire District No. 4 was able to cover all its appropriations through the fire tax levy and other revenues. The Board did not have to utilize capital funds to pay for overspending in operations in the current year.

Old Bridge Township Fire District No. 4 adopted their 2017 budget on January 9, 2017. The voters subsequently voted to approve the adopted budget at the February election. The 2017 budget reflects a decrease in the tax levy of approximately \$1,600. The Board is utilizing \$60,000 of Capital Funds towards the purchase of air packs and \$90,000 to balance the budget.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Old Bridge Township Fire District No. 4'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 Ann Peel, Old Bridge Township Fire District No. 4, 3011 Cheesequake Road, Parlin, New Jersey, 08859.

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Statement of Net Position**  
**December 31, 2016**

	<u>Governmental Activities</u>
	<u>2016</u>
Assets:	
Current assets:	
Cash	\$ 351,512
Accounts receivable	24,283
Prepaid expense	13,374
Total current assets	<u>389,169</u>
Capital assets (net of depreciation)	<u>660,800</u>
Total assets	<u>1,049,969</u>
Deferred outflow of resources	
Deferred outflows related to pensions	<u>156,365</u>
Total deferred outflow of resources	<u>156,365</u>
Total assets and deferred outflow of resources	<u>1,206,334</u>
Current liabilities:	
Accounts payable	29,711
Accrued payroll	2,718
Accrued pension	29,763
Capital leases payable	28,911
Total current liabilities	<u>91,103</u>
Noncurrent liabilities:	
Capital leases payable	227,445
Net pension liability	656,900
Total noncurrent liabilities	<u>884,345</u>
Total liabilities	<u>975,448</u>
Deferred inflow of resources:	
Deferred inflows related to pensions	<u>6,478</u>
Total deferred inflow of resources	<u>6,478</u>
Total liabilities and deferred inflow of resources	<u>981,926</u>
Net position:	
Net investment in capital assets	404,444
Unrestricted net position	(180,036)
Total net position	<u>\$ 224,408</u>

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Statement of Activities**  
**For the year ended December 31, 2016**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities</u> <u>2016</u>
Government activities:			
Operation appropriations:			
Administration	\$ 80,478	\$ -	\$ (80,478)
Costs of operations and maintenance	590,754	233,353	(357,401)
Interest expense	8,305	-	(8,305)
	<hr/>	<hr/>	<hr/>
Total government activities	679,537	233,353	(446,184)
			<hr/>
General revenues:			
Miscellaneous revenue			10,689
Operating grant revenues			2,507
Amount raised by taxation			590,116
			<hr/>
Total general revenues			603,312
			<hr/>
Change in net position			157,128
			<hr/>
Net position, January 1			54,267
Prior period adjustment (see Note 12)			13,013
			<hr/>
Net position, January 1, restated			67,280
			<hr/>
Net position, December 31			\$ 224,408
			<hr/> <hr/>

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2016**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u> <u>December 31,</u> <u>2016</u>
Assets:			
Cash	\$ 351,512	\$ -	\$ 351,512
Accounts receivable	24,283	-	24,283
Interfund receivable	-	154,345	154,345
Total assets	<u>\$ 375,795</u>	<u>\$ 154,345</u>	<u>\$ 530,140</u>
Liabilities, equity and other credits:			
Accounts payable	29,711	\$ -	\$ 29,711
Accrued payroll	2,718	-	2,718
Accrued pension	29,763	-	29,763
Interfund payable	154,345	-	154,345
Total liabilities	<u>216,537</u>	<u>-</u>	<u>216,537</u>
Fund balances			
Assigned for:			
Other purposes	-	154,345	154,345
Unassigned, reported in:			
General fund	159,258	-	159,258
Total fund balance	<u>159,258</u>	<u>154,345</u>	<u>313,603</u>
Total liabilities and fund balance	<u>\$ 375,795</u>	<u>\$ 154,345</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.	13,374
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$1,509,874 and the accumulated depreciation is \$849,074.	660,800
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.	149,887
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported as liabilities in the funds.	<u>(913,256)</u>
Net position of governmental activities	<u>\$ 224,408</u>

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the year ended December 31, 2016**

				<u>Totals</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>December 31, 2016</u>
Revenues:				
Miscellaneous anticipated revenue:				
Annual registration fees	\$ 78,211	\$ -	\$ -	\$ 78,211
Penalties and fines	155,142	-	-	155,142
Investment income	191	-	-	191
Other revenue	10,498	-	-	10,498
Total miscellaneous revenues	<u>244,042</u>	<u>-</u>	<u>-</u>	<u>244,042</u>
Operating grant revenue:				
Supplemental fire service grant	2,507	-	-	2,507
Total operating grant revenue	<u>2,507</u>	<u>-</u>	<u>-</u>	<u>2,507</u>
Total revenues	<u>246,549</u>	<u>-</u>	<u>-</u>	<u>246,549</u>
Amount raised by taxation to support district budget				
	523,721	30,000	36,395	590,116
Total anticipated revenues	<u>770,270</u>	<u>30,000</u>	<u>36,395</u>	<u>836,665</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	26,200	-	-	26,200
Other expenditures:				
Professional fees	43,170	-	-	43,170
Advertising	1,892	-	-	1,892
Elections	621	-	-	621
Office supplies and postage	8,595	-	-	8,595
Total administration	<u>80,478</u>	<u>-</u>	<u>-</u>	<u>80,478</u>
Cost of operations and maintenance:				
Salaries and wages	114,422	-	-	114,422
Fringe benefits	91,901	-	-	91,901
Other expenditures:				
Rental charges	54,607	-	-	54,607
Materials and supplies	3,624	-	-	3,624
Insurance	58,992	-	-	58,992
Building and grounds	30,795	-	-	30,795
Fire prevention	7,803	-	-	7,803
Training and education	9,888	-	-	9,888
Utilities	25,561	-	-	25,561
Maintenance and repairs	50,834	-	-	50,834
Total cost of operations and maintenance	<u>448,427</u>	<u>-</u>	<u>-</u>	<u>448,427</u>

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the year ended December 31, 2016**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u> <u>December 31,</u> <u>2016</u>
Operating appropriations offset with revenues:				
Fire prevention bureau	11,259	-	-	11,259
Total operating appropriations offset with revenues	11,259	-	-	11,259
Length of service award program	15,000	-	-	15,000
Debt service for capital appropriations:				
Capital leases	-	-	28,090	28,090
Interest on capital leases	-	-	8,305	8,305
Total debt service for capital appropriations	-	-	36,395	36,395
Total operating appropriations	555,164	-	36,395	591,559
Transfer of fund balance	275,655	(275,655)	-	-
Excess (efficiency) of revenues over (under) expenditures	490,761	(245,655)	-	245,106
Fund balance, January 1	(344,516)	400,000	-	55,484
Prior period adjustment, see Note 12	13,013	-	-	13,013
Fund balance, January 1, restated	(331,503)	400,000	-	68,497
Fund balance, December 31	\$ 159,258	\$ 154,345	\$ -	\$ 313,603

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

**FIRE DISTRICT NO. 4 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, 2016**

Total net changes in Fund Balance-Governmental Funds (B-2)	\$	245,106
<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-General Fund	3,800	
Depreciation Expense	<u>(79,263)</u>	(75,463)
<p>Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.</p>		
		28,090
<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	(8,169)	
Current year	<u>13,374</u>	5,205
<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 pensions, is reported in the Statement of Activities</p>		
Pension Expense - PFRS Contribution - 2016	26,585	
Pension Expense	<u>(72,395)</u>	<u>(45,810)</u>
Changes in net position of governmental activities	\$	<u><u>157,128</u></u>

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Fiduciary Funds**  
**Statement of Net Position**  
**December 31, 2016**

	<b>Length of Service <u>Award Program</u></b>	<b><u>Totals</u>  December 31, <u>2016</u></b>
Assets:		
Investments	\$ 133,144	\$ 133,144
Receivable from District	13,000	13,000
Total assets	<u>\$ 146,144</u>	<u>\$ 146,144</u>
Net position		
Reserved:		
For Length of Service Award Program	<u>146,144</u>	<u>146,144</u>
Total net position	<u>\$ 146,144</u>	<u>\$ 146,144</u>

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**Length of Service Award**  
**For the year ended December 31, 2016**

	<b>December 31, <u>2016</u></b>
Revenues and other financing sources:	
District contributions	\$ 15,000
Interest income	9,171
Total revenues and other financing sources	24,171
Expenditures:	
Administrative fees and refunds	775
Total expenditures	775
Excess of revenues and other financing sources over expenditures	23,396
Net position, January 1	122,748
Net position, December 31	\$ 146,144

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements**  
**For the year ended December 31, 2016**

**NOTE 1: GENERAL INFORMATION**

**A. Description of Reporting Entity**

Fire District No. 4 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, 2016:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
Mike Donahue	2017
Anthony Guarnera	2018
David Kerchner	2019
Ann Peel	2019
Drew Vagts	2017

**C. Accounting Records**

The official accounting records of the Fire District No. 4 of the Township of Old Bridge are maintained in the office of the District.

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**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. The District had no component units as of for the year ended December 31, 2016.

**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 20) 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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

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

**B. Fund Accounting (continued)**

liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn is divided into separate “fund types.”

Governmental Funds:

*General Fund*

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

*Capital Projects Fund*

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

*Debt Service Fund*

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

*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.

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

*District Wide 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.

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

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

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

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

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

*Fund Financial Statements*

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

**D. Basis of Accounting**

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

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

In its accounting and financial reporting, the Fire District No. 4 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).

**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 approve the annual budget no later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for a public

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

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

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

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. There were no encumbrances for the year ended December 31, 2016.

**G. Cash and Cash Equivalents**

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

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

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

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 over the useful lives of the assets as follows:

Building and Improvements	10 to 25 Years
Equipment	5 to 10 Years
Trucks and vehicles	5 to 25 Years

**K. Inventory, Materials and Supplies**

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

**L. Interfund Receivable/Payable**

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

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

**M. Compensated Absences**

Fire District employees are entitled to vacation and sick leave. Unused vacation and sick leave may be accumulated. Benefits paid in any future year will be calculated according to formulas outlined in the Fire District's agreement with the employees and included in the current year's budget.

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

**N. Revenues and Expenditures**

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

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

**O. Fire District Taxes**

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

**P. Fund Equity**

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Fire District No. 4 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.

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

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

**P. Fund Equity (continued)**

- Unassigned – includes balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

**Q. 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.

**R. 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.

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

Adopted Accounting Pronouncements

For the year ended December 31, 2016, the District implemented 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*. Implementation of this Statement did not impact the District's financial statements.

The District implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Implementation of this Statement did not impact the District's financial statements.

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

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

**S. Impact of Recently Issued Accounting Principles (continued)**

Recently Issued Accounting Pronouncements

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

Statement No. 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. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the District's financial statements.

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. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact 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*. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact 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. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact 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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

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

**S. Impact of Recently Issues Accounting Principles (continued)**

December 31, 2018. Management does not expect this Statement to impact 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 impact the District's financial statements.

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.

**T. LOSAP**

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 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 as an agency fund.

**U. Deferred Inflows/Outflows of Resources**

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

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

**T. Unrealized Gains and Losses**

Governmental Accounting Standards Board (GASB) has established GASB-31, which requires public agencies to report the financial effect of all unrealized gains and losses on invested funds.

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

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

**T. Unrealized Gains and Losses (continued)**

As of December 31, 2016, the unrealized gains for the Fire District were not considered to be material to the financial statements taken as a whole, and accordingly, has not been reflected in the financial statements.

**U. 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.

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

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

**U. Fair Value Measurement (continued)**

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, 2016.

**V. Subsequent Events**

Fire District No. 4 of the Township of Old Bridge has evaluated subsequent events occurring after December 31, 2016 through the date of September 7, 2017, which is the date the financial statements were available to be issued. See Note 14 for information regarding subsequent events.

**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, 2016, and reported at fair value are as follows:

**Deposits:**

Demand Deposits	\$ <u>351,512</u>
Total Deposits	\$ <u>351,512</u>

**Reconciliation to Governmental Fund Statements:**

Governmental Funds	\$ <u>351,512</u>
Total	\$ <u>351,512</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, 2016, the District's bank balance of \$356,637 was insured or collateralized as follows:

Insured	\$ 250,000
Collateralized not in the District's name under GUDPA	<u>106,637</u>
Total	\$ <u>356,637</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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 4: INVESTMENTS (continued)**

**A. Custodial Credit Risk (continued)**

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.

**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, 2016, 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.

The following table sets forth by level, within the value hierarchy, the District's assets at fair value at December 31, 2016.

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 4: INVESTMENTS (continued)**

**C. Investment Credit Risk (continued)**

	<i>Assets at Fair Value as of December 31, 2016</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
LOSAP:				
Mutual funds:				
Growth	\$ 69,851	\$ -	\$ -	\$ 69,851
Large Growth/Value	2,805	-	-	2,805
International Securities	2,437	-	-	2,437
Small Blend/Value	6,776	-	-	6,776
Mid-Cap Blend/Growth	522	-	-	522
Real Estate	170	-	-	170
Total mutual funds	82,561	-	-	82,561
Fixed Account Investment Contract	-	-	50,583	50,583
Total assets at fair value	\$ 82,561	\$ -	\$ 50,583	\$ 133,144

**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, 2016.

***Level 3 Assets***  
***Year Ended December 31, 2016***

	<u>Fixed Account</u>
Balance, beginning of year	\$ 45,508
Purchases, sales, issuances, and settlements (net)	4,078
Gain and (losses)	997
Balance, end of year	\$ 50,583

**NOTE 5: CAPITAL ASSETS**

Capital assets consisted of the following at December 31, 2016:

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 5: CAPITAL ASSETS (continued)**

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Governmental Activities:				
Equipment	\$ 13,683	\$ -	\$ -	\$ 13,683
Buildings and improvements	100,510	3,800	-	104,310
Trucks and vehicles	1,391,881	-	-	1,391,881
Totals at historical cost	<u>1,506,074</u>	<u>3,800</u>	<u>-</u>	<u>1,509,874</u>
Less: accumulated depreciation:				
Equipment	(1,368)	(2,737)	-	(4,105)
Buildings and improvements	(73,611)	(4,885)	-	(78,496)
Trucks and vehicles	(694,832)	(71,641)	-	(766,473)
Total accumulated depreciation	<u>(769,811)</u>	<u>(79,263)</u>	<u>-</u>	<u>(849,074)</u>
Total capital assets net of accumulated depreciation	<u>\$ 736,263</u>	<u>\$ (75,463)</u>	<u>\$ -</u>	<u>\$ 660,800</u>

*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.

**NOTE 6: NONCURRENT LIABILITIES**

During the fiscal year ended December 31, 2016, the following changes occurred in liabilities reported in long-term debt:

	Balance <u>12/31/2015</u>	Accrued/ <u>increases</u>	Retired/ <u>decreases</u>	Balance <u>12/31/2016</u>	Due within <u>one year</u>	Noncurrent <u>portion</u>
Capital leases	\$ 284,446	\$ -	\$ (28,090)	\$ 256,356	\$ 28,911	\$ 227,445
Net pension liability	544,766	112,134	-	656,900	-	656,900
Total	<u>\$ 829,212</u>	<u>\$ 112,134</u>	<u>\$ (28,090)</u>	<u>\$ 913,256</u>	<u>\$ 28,911</u>	<u>\$ 884,345</u>

**A. Capital Leases**

The following is a schedule of future minimum capital lease payments at December 31, 2016:

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 6: NONCURRENT LIABILITIES (continued)**

**A. Capital Leases (continued)**

<b>Fiscal Year</b>			
<b><u>Ended</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2017	\$ 28,911	\$ 7,486	\$ 36,397
2018	29,755	6,641	36,396
2019	30,624	5,773	36,397
2020	31,518	4,878	36,396
2021	32,438	3,958	36,396
2022-2024	<u>103,110</u>	<u>6,079</u>	<u>109,189</u>
Total	<u>\$ 256,356</u>	<u>\$ 34,815</u>	<u>\$ 291,171</u>

**NOTE 7: PENSION**

**A. Police and Firemen’s Retirement System (PFRS)**

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

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

The following represents the membership tiers for PFRS:

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

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 7: PENSION (continued)**

**A. Police and Firemen's Retirement System (PFRS) (continued)**

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

**Contributions** - The contribution policy for PFRS is set by *N.J.S.A. 43:16A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2016, the State contributed an amount less than the actuarially 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 PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PFRS amounted to \$462,261.00 for 2016.

The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

**Net Pension Liability and Pension Expense** - At December 31, 2016, the District's proportionate share of the PFRS net pension liability is valued to be \$656,900. The net pension liability was measured as of June 30, 2016. 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, 2015, to the measurement date of June 30, 2016. 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, 2016. The District's proportion measured as of June 30, 2016, was .00344%, which was an increase of .00017% from its proportion measured as of June 30, 2015.

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 7: PENSION (continued)**

**A. Police and Firemen's Retirement System (PFRS) (continued)**

Collective Balances at December 31, 2016 and December 31, 2015

	<u>12/31/2016</u>	<u>12/31/2015</u>
Actuarial valuation date (including roll forward)	June 30, 2016	June 30, 2015
Deferred Outflows of Resources	\$ 156,365	\$ 100,577
Deferred Inflows of Resources	\$ 6,478	\$ 17,014
Net Pension Liability	\$ 656,900	\$ 544,766
 District's portion of the Plan's total net pension Liability	 0.00344%	 0.00327%

**Pension Expense and Deferred Outflows/Inflows of Resources** - At December 31, 2016, the District had deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ -	\$ 4,306
Changes of Assumptions	90,986	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	46,028	-
Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions	<u>19,351</u>	<u>2,172</u>
	<u>\$ 156,365</u>	<u>\$ 6,478</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense as follows:

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 7: PENSION (continued)**

**A. Police and Firemen's Retirement System (PFRS) (continued)**

**Amortization of Deferred Outflows  
and Deferred Inflows**

	<b><u>Year Ending Dec 31,</u></b>	<b><u>PFRS</u></b>	<b><u>Deferred Outflow of Resources</u></b>	<b><u>Deferred Inflow of Resources</u></b>
	2017	\$ 34,423		
	2018	34,422		
	2019	44,944		
	2020	28,777		
	2021	7,321		
		\$ 149,887		
Differences between Expected and Actual Experience				
Year of Pension Plan Deferral:				
	June 30, 2014		-	-
	June 30, 2015		-	5.53
	June 30, 2016		-	5.58
Changes of Assumptions				
Year of Pension Plan Deferral:				
	June 30, 2014		6.17	-
	June 30, 2015		5.53	-
	June 30, 2016		5.58	-
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	-
Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions				
Year of Pension Plan Deferral:				
	June 30, 2014		6.17	6.17
	June 30, 2015		5.53	5.53
	June 30, 2016		5.58	5.58

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 7: PENSION (continued)**

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

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

Additionally, the State’s proportionate share of the net pension liability attributable to the District is \$55,163 as of December 31, 2016. The net pension liability was measured as of June 30, 2016. 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, 2015, to the measurement date of June 30, 2016. The State’s proportion of the net pension liability associated with the District was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The State’s proportion measured as of June 30, 2016 was .00344%, which was an increase of .00017% from its proportion measured as of June 30, 2015, which is the same proportion as the District’s.

District’s Proportionate Share of Net Pension Liability	\$	656,900
State of New Jersey’s Proportionate Share of Net Pension Liability Associated with the District		55,163
	\$	712,063

For the year ended December 31, 2016, the District’s total allocated pension expense was \$7,046.

**Actuarial Assumptions** - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 7: PENSION (continued)**

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

Inflation	3.08%
Salary Increases:	
Through 2026	2.10% - 8.98% Based on Age
Thereafter	3.10% - 9.98% Based on Age
Investment Rate of Return	7.65%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial	
Assumptions were Based	July 1, 2010 - June 30, 2013

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. 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, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

**Long-Term Expected Rate of Return** - In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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 PFRS’s target asset allocation as of June 30, 2016 are summarized in the following table:

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 7: PENSION (continued)**

**A. Police and Firemen's Retirement System (PFRS) (continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment grade credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global debt ex U.S.	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

**Discount Rate** - The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals 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 30% 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 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050 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 (4.55%) or 1-percentage-point higher (6.55%) than the current rate:

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 7: PENSION (continued)**

**A. Police and Firemen's Retirement System (PFRS) (continued)**

	<b>1% Decrease <u>(4.55%)</u></b>	<b>Current Discount Rate <u>(5.55%)</u></b>	<b>1% Increase <u>(6.55%)</u></b>
District's Proportionate Share of the Net Pension Liability	\$ 847,024	\$ 656,900	\$ 501,865
State of New Jersey's Proportionate Share of Net Pension Liability associated with the District	<u>71,129</u>	<u>55,163</u>	<u>42,144</u>
	<u>\$ 918,153</u>	<u>\$ 712,063</u>	<u>\$ 544,009</u>

**NOTE 8: LENGTH OF SERVICE AWARDS PROGRAM**

The District has a contractual agreement with volunteer firefighters to reward them based on length of continued service. This is not a pension plan as described under the Employee Retirement Security Act, and therefore is not guaranteed to the volunteers until they reach the age 65.

The contribution for the year ended December 31, 2015 and paid in the fiscal year ended December 31, 2016 is \$15,000.

**NOTE 9: INTERFUND RECEIVABLE/PAYABLE**

As of December 31, 2016, the following interfund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ -	\$ 154,345
Capital projects	<u>154,345</u>	<u>-</u>
Total	<u>\$ 154,345</u>	<u>\$ 154,345</u>

The interfund receivables and payables above predominately resulted from payment made by certain funds on behalf of other funds. All interfund balances are expected to be repaid within one year.

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 10: 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, 2016, the fire tax rate on the Fire District was approximately \$.317 per \$100 of assessed valuation.

The District also participates in the Supplemental Fire Services Programs and received a basic entitlement grant of approximately \$2,507. As a condition of the grant, the Board must match the grant by 10%.

**NOTE 11: FUND BALANCE**

**General Fund** – Of the \$159,258 General Fund fund balance at December 31, 2016, \$159,258 is unassigned.

**Capital Projects Fund** – Of the \$154,345 Capital Projects Fund fund balance at December 31, 2016, \$4,345 is restricted for capital and \$150,000 has been released by referendum and assigned for subsequent year appropriations.

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.

**NOTE 12: PRIOR PERIOD ADJUSTMENT/RESTATEMENT**

The general fund had understated accounts receivables by \$13,013 as of December 31, 2015. This resulted in an adjustment to net assets of \$13,013 as of January 1, 2016.

**NOTE 13: DEFICIT UNRESTRICTED NET POSITION**

**Unrestricted Net Position** – As reflected on Exhibit A-1, Statement of Net position, a deficit in unrestricted net position of \$(180,036) existed as of December 31, 2016 for governmental activities. The primary causes of this deficit is the District recording of the long-term liability their proportionate share of the net pension liability. In accordance with full accrual accounting, which is the basis of accounting for Exhibit A-1, Statement of Net Position, such liabilities are required to be recorded in the period in which they are incurred. However, in accordance with the rules and regulations that govern the District in the formulation of their annual budget (see Note 2), pension liabilities that relate to future services, or that are contingent on a specific event outside the control of the District and its employees, are funded in the period in which such services are rendered or in which such events take place. Therefore, this deficit in unrestricted net position for governmental activities does not indicate that the District is facing financial difficulties.

**NOTE 14: SUBSEQUENT EVENTS**

As of July 1, 2017, the fire bureau employees were terminated. The fire bureau operations have been taken over by the Fire District No. 3 of the Township of Old Bridge through a cooperative agreement.

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2016**

**NOTE 14: SUBSEQUENT EVENTS (continued)**

All fire bureau revenues collected on behalf of Fire District No. 4 of the Township of Old Bridge will be retained by Fire District No. 3 of the Township of Old Bridge.

Additionally, the State of New Jersey, Division of Fire Safety, is conducting a review of the Fire Bureau operations. As of the date of the audit, the inspection was not complete and any results were not available to determine effect on the financial statements.

**NOTE 15: COMMITMENTS**

The District entered into a contract with the Madison Park Volunteer Fire Company Inc. for the leasing of premises at 3011 Cheesequake Road, Township of Old Bridge, New Jersey. The District also entered a lease with Apple, Inc. for computer equipment. The lease is a three year lease with future payments at December 31 as follows:

2017	\$ <u>56,024</u>
Total	\$ <u>56,024</u>

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Budgetary Comparison Schedule**  
**For the year ended December 31, 2016**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Annual registration fees	\$ -	\$ -	\$ 78,211	\$ 78,211
Penalties and fines	-	-	155,142	155,142
Investment income	100	100	191	91
Other revenue	56,000	56,000	10,498	(45,502)
Total miscellaneous revenues	<u>56,100</u>	<u>56,100</u>	<u>244,042</u>	<u>187,942</u>
Operating grant revenue:				
Supplemental fire service grant	1,724	1,724	2,507	783
Total operating grant revenue	<u>1,724</u>	<u>1,724</u>	<u>2,507</u>	<u>783</u>
Total revenues	<u>57,824</u>	<u>57,824</u>	<u>246,549</u>	<u>188,725</u>
Amount raised by taxation to support district budget	<u>590,116</u>	<u>590,116</u>	<u>590,116</u>	<u>-</u>
Total anticipated revenues	<u>647,940</u>	<u>647,940</u>	<u>836,665</u>	<u>188,725</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	27,500	27,500	26,200	1,300
Other expenditures:				
Professional fees	37,000	43,200	43,170	30
Advertising	-	1,892	1,892	-
Elections	-	621	621	-
Office supplies and postage	3,000	8,687	8,595	92
Total administration	<u>67,500</u>	<u>81,900</u>	<u>80,478</u>	<u>1,422</u>
Cost of operations and maintenance:				
Salaries and wages	114,000	121,000	114,422	6,578
Fringe benefits	80,045	92,045	91,901	144
Other expenditures:				
Rental charges	49,000	54,700	54,607	93
Materials and supplies	4,000	4,000	3,624	376
Insurance	65,000	65,000	58,992	6,008
Equipment	55,000	38,700	30,795	7,905
Fire prevention	12,000	12,000	7,803	4,197
Training and education	10,000	10,000	9,888	112
Utilities	26,000	26,000	25,561	439
Maintenance and repairs	45,000	50,900	50,834	66
Total cost of operations and maintenance	<u>460,045</u>	<u>474,345</u>	<u>448,427</u>	<u>25,918</u>

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE  
Budgetary Comparison Schedule  
For the year ended December 31, 2016

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Operating appropriations offset with revenues:				
Fire prevention bureau	56,000	25,300	11,259	14,041
Total operating appropriations offset with revenues	<u>56,000</u>	<u>25,300</u>	<u>11,259</u>	<u>14,041</u>
Length of service award program	13,000	15,000	15,000	-
Capital appropriations:				
Reserve for future capital outlays	30,000	30,000	-	30,000
Total capital appropriations	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Debt service for capital appropriations:				
Capital leases	28,090	28,090	28,090	-
Interest on capital leases	8,305	8,305	8,305	-
Total debt service for capital appropriations	<u>36,395</u>	<u>36,395</u>	<u>36,395</u>	<u>-</u>
Total operating appropriations	<u>662,940</u>	<u>662,940</u>	<u>591,559</u>	<u>71,381</u>
Excess (deficiency) of revenues under (over) expenditures	(15,000)	(15,000)	245,106	260,106
Fund balance, January 1	<u>55,484</u>	<u>55,484</u>	<u>55,484</u>	<u>-</u>
Fund balance, December 31	<u>\$ 40,484</u>	<u>\$ 40,484</u>	<u>\$ 300,590</u>	<u>\$ 260,106</u>

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Police and Firemen's Retirement System**  
**Last Ten Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.00344%	0.00327%	0.00328%	0.00330%
District's proportionate share of the net pension liability (asset)	\$ 656,900	\$ 544,766	\$ 412,484	\$ 438,740
District's covered-employee payroll	\$ 111,012	\$ 109,912	\$ 106,204	\$ 103,572
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	592%	496%	388%	424%
Plan fiduciary net position as a percentage of the total pension liability	52.01%	56.31%	62.41%	58.70%

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Schedule of District Contributions**  
**Police and Firemen's Retirement System**  
**Last Ten Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 28,038	\$ 26,585	\$ 25,186	\$ 25,742
Contributions in relation to the contractually required contribution	<u>28,038</u>	<u>26,585</u>	<u>25,186</u>	<u>25,742</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 111,012	\$ 109,912	\$ 106,204	\$ 103,572
Contributions as a percentage of covered-employee payroll	25%	24%	24%	25%

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. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to the Required Supplementary Information**  
**December 31, 2016**

**Police and Firemen's Retirement System (PFRS)**

**Basis of Presentation.** The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. The numbers were derived in a report provided by KPMG dated April 6, 2017. The full report is available by the State of New Jersey, Division of Pension and Benefits. Such preparation requires management of PFRS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

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

**Changes of assumptions.** Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement Mortality Tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

**EXHIBIT I-1**

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE**  
**Long-Term Debt**  
**Schedule of Obligations Under Capital Leases**  
**For the year ended December 31, 2016**

<u>Description</u>	<u>Date of Lease</u>	<u>Term of Lease</u>	<u>Amount of Original Issue</u>		<u>Interest Payable</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>		<u>Retired</u>	<u>Amount Outstanding December 31, 2016</u>
			<u>Principal</u>	<u>Interest</u>			<u>January 1, 2016</u>	<u>Issued</u>		
Pumper - Lease 2004	5/12/14	10 years	311,740	52,224	2.92%	\$ 284,446	\$ -	\$ 28,090	\$ 256,356	
					Total	\$ 284,446	\$ -	\$ 28,090	\$ 256,356	

Board of Fire Commissioners  
Fire District No. 4 of the Township of Old Bridge  
Old Bridge, New Jersey 08859

We have audited the basic financial statements of the Fire District No. 4 of the Township of Old Bridge, County of Middlesex, State of New Jersey for the year ended December 31, 2016. 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 AND RECOMMENDATIONS**

#### **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 \$40,000, except by contract or agreement.

It is pointed out that the Members of the District have 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 revealed individual payments, contracts or agreements in excess of \$6,000 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).

## **Examination of Bills**

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate. The results of the examination disclosed discrepancies with respect to signatures, certification or supporting documentation.

### ***Comment 2016-001\*:***

During our substantive testing it was noted that 23 vouchers out of 67 tested were missing claimant signatures.

### ***Recommendation:***

The District should obtain claimant signature on vouchers prior to issuing payment.

### ***Management's Response:***

The District will obtain claimant signatures on vouchers.

### ***Comment 2016-002\*:***

The District was unable to locate a formal LOSAP plan document describing contribution amounts and determination of LOSAP points earned. LOSAP payments were also not made timely.

### ***Recommendation:***

The District should maintain a formal LOSAP plan document and make timely LOSAP contributions for eligible volunteers.

### ***Management's Response:***

The District will correct in the current year.

## **Budget**

An examination of the District approved budget was conducted to ensure line items were not overspent.

## **General Ledger**

The general ledger was complete with the required journal entries.

### ***Comment 2016-003\*:***

It was noted that the District does not maintain documentation or support for annual registration fees, penalties and fines and other fire prevention bureau revenue.

### ***Recommendation:***

A log or proof of revenue received should be maintained for all fire prevention bureau revenue.

***Management's Response:***

The District correct in the current year.

**Follow-up on Prior Year's 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 review, we did not note any problems or weaknesses significant enough that would affect our ability to express an opinion on the financial statements taken as a whole.

Should you have any questions, please contact us.

September 7, 2017  
Toms River, New Jersey

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