

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

Financial Statements and Supplementary Schedules

For the year ended December 31, 2018

(With Independent Auditor's Report thereon)

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
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For the year ended December 31, 2018
(With Independent Auditor's Report thereon)

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 4 of the Township of Old Bridge, County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 4 of the Township of Old Bridge, County of Middlesex, State of New Jersey, as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fire District No. 4 of the Township of Old Bridge's basic financial statements. The accompanying other supplementary information as listed in the table of contents, is presented for purposes of additional analysis as required by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not a required part of the basic financial statements.

The accompanying long-term debt schedule of obligations under capital leases is the responsibility of management and was 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 accompanying long-term debt schedule of obligations under capital leases is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2019 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

August 27, 2019
Toms River, New Jersey

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities of each major fund and the aggregate remaining fund information of Fire District No. 4 of the Township of Old Bridge, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Fire District No. 4 of the Township of Old Bridge’s basic financial statements, and have issued our report thereon dated August 27, 2019.

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.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fire District No. 4 of the Township of Old Bridge's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fire District No. 4 of the Township of Old Bridge's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, in considering the Fire District No. 4 of the Township of Old Bridge's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

August 27, 2019
Toms River, New Jersey

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

As management of Fire District No. 4 of the Township of Old Bridge, we offer readers of Fire District No. 4 of the Township of Old Bridge financial statements this narrative overview and analysis of the financial activities of the Fire District No. 4 of the Township of Old Bridge for the year ended December 31, 2018. The intent of this narrative is to look at Fire District No. 4 of the Township of Old Bridge's overall financial performance in terms easily understood by the lay person. Please read this in conjunction with the transmittal letters beginning on page 1 and the District's financial statements which begin on page 12. Notes to the financial statements will provide the reader with additional useful information and they begin on page 19.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at December 31, 2018 by approximately \$340,500. In 2017 the excess was approximately \$248,900. This is an increase of approximately \$91,600.
- During 2018 Fire District No. 4 of the Township of Old Bridge operated at a surplus of approximately \$91,600. The surplus in 2017 was approximately \$24,500. This is an increase of approximately \$67,100.
- The District decreased their liabilities by approximately \$38,000 in 2018, and increased their assets by approximately \$53,600.
- As described in Note 8 to the financial statements the District's proportionate share of the Net Pension Liability was approximately \$457,300. This was adopted by the provisions of GASB Statement No. 68 year ended December 31, 2018. The total pension liability used to calculate the Net Pension Liability was determined using update procedures to roll forward the Net Pension Liability from an actuarial valuation as of July 1, 2017, to the measurement date of June 30, 2018.

USING THIS ANNUAL REPORT

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

Reporting on the District as a Whole

Our analysis of the District as a whole begins on page 8. District-wide financial statements are provided to give the reader a broad overview of the District's financial position and its financial activity for the year. It is presented in a format similar to the private sector to give the reader a familiar point of reference.

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

decreasing during the year. Financial activities are recorded when the transactions occur rather than when the cash is received or disbursed. As a result, there could be activities that result in cash flow in a future period.

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

Fund Financial Statements

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

Governmental Funds

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

Fire District No. 4 of the Township of Old Bridge maintains three separate government funds, the General Fund, the Capital Projects Fund and the Debt Service Fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital fund.

The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.

As required by N.J.S.A. 40A:14:78-3, Fire District No. 4 of the Township of Old Bridge adopts an annual budget which is voted on by the legal voters of the district on the third Saturday in February. Budgetary comparison schedules have been prepared to document compliance with budgetary requirements.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements are an integral part of the financial statements.

DISTRICT-WIDE FINANCIAL ANALYSIS

Fire District No. 4 of the Township of Old Bridge's net position is a useful indicator of the District's financial condition. At the end of 2018, the District's assets exceeded its liabilities by approximately \$340,500. The largest portion of Fire District No. 4 of the Township of Old Bridge's net position is its investment in capital assets. The District uses these assets to provide fire-fighting services to the community; consequently, these assets are not available for future spending. Fire District No. 4 of the Township of Old Bridge's investment in capital assets is reported net of related debt. Since the capital assets are not available to liquidate the debt, other sources must be utilized for the repayment of the debt.

Statement of Net Position

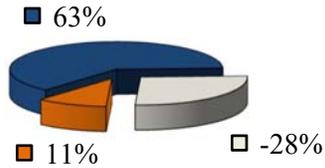
FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
NET POSITION
DECEMBER 31, 2018

	2018	2017	\$ Increase (Decrease)	% Increase (Decrease)
Current and other assets	\$ 649,968	\$ 711,039	(61,071)	(8.6%)
Capital assets	<u>653,098</u>	<u>593,226</u>	59,872	10.1%
Total assets	1,357,872	1,304,265	53,607	4.1%
Total liabilities	<u>(1,017,359)</u>	<u>(1,055,341)</u>	(37,982)	(3.6%)
Net position	<u>\$ 340,513</u>	<u>\$ 248,924</u>	91,589	36.8%

Analysis of net position

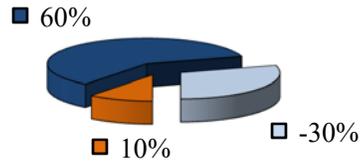
Invested in capital assets, net of related debt	\$ 455,408	\$ 365,781	89,627	24.5%
Restricted for:				
Capital projects	77,481	64,345	13,136	20.4%
Unrestricted	<u>(192,376)</u>	<u>(181,202)</u>	11,174	6.2%
Total net position	<u>\$ 340,513</u>	<u>\$ 248,924</u>	91,589	36.8%

2018 Net Position



- Restricted for Capital
- Invested in Capital Assets, Net of Related Debt
- Unrestricted

2017 Net Position



- Restricted for Capital
- Invested in Capital Assets, Net of Related Debt
- Unrestricted

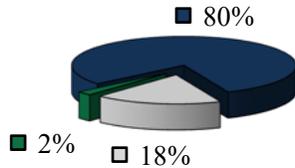
The net position of Fire District No. 4 of the Township of Old Bridge increased approximately \$91,600 as a result of the current year surplus. The District added approximately \$138,700 of capital assets during the year. In 2018 the capital assets increased approximately \$59,900 after depreciation expense.

Governmental Activities

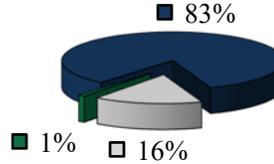
The Statement of Activities shows the cost of the governmental activities program services and the charges for services and grants offsetting these costs. A summary of these activities follows:

	2018	2017	\$ Increase (Decrease)	% Increase (Decrease)
Expenses				
Program expenses				
Administrative expenses	\$ 92,446	\$ 98,207	(5,761)	(5.9%)
Cost of operations and maintenance	399,300	519,182	(119,882)	(23.1%)
Length of service award contribution	<u>11,000</u>	<u>6,000</u>	5,000	83.3%
Total program expenses	<u>502,746</u>	<u>623,389</u>	(120,643)	(19.4%)

2018 Program Expenses



2017 Program Expenses



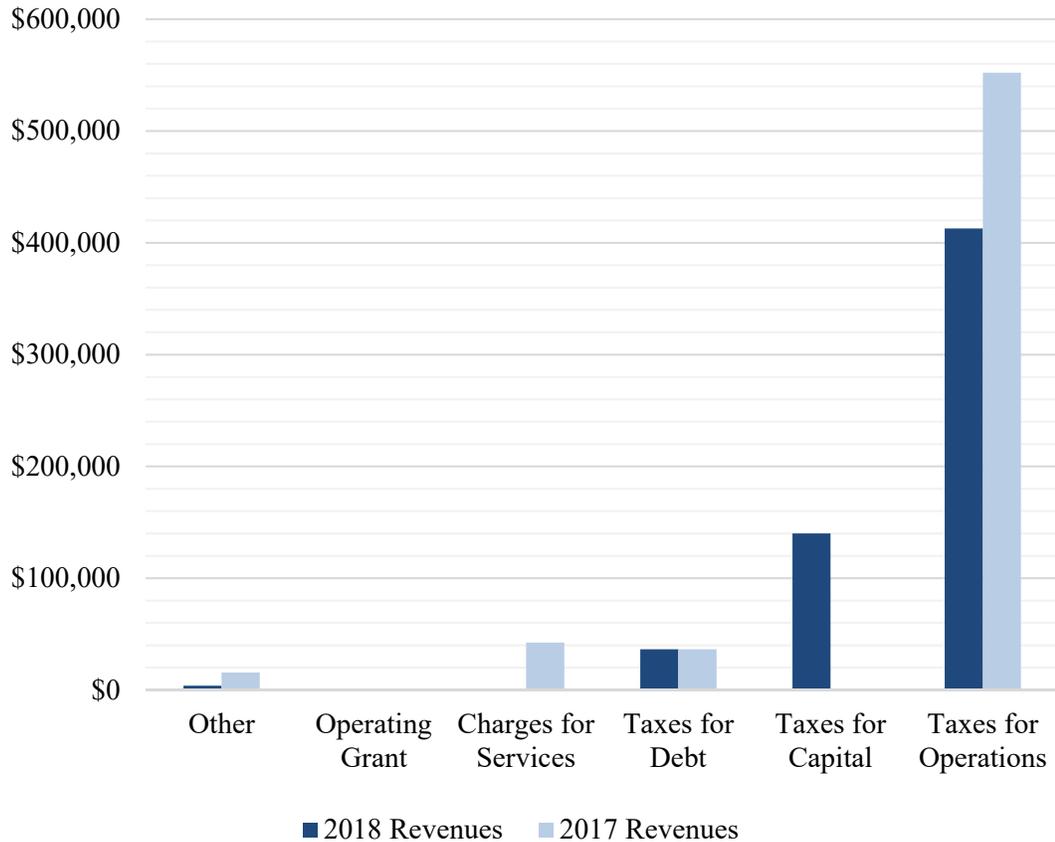
■ Operations
 ■ LOSAP
 ■ Administrative
 ■ Operations
 ■ LOSAP
 ■ Administrative

	2018	2017	\$ Increase (Decrease)	% Increase (Decrease)
Revenues				
Program revenues				
Charges for services	-	42,363	(42,363)	(100.0%)
Total program revenues	-	42,363	(42,363)	(100.0%)
Net program expenses	502,746	581,026	(78,280)	(15.6%)
General revenues				
Property taxes levied for:				
General purposes	412,841	552,106	(139,265)	25.2%
Capital purchases	140,000	-	140,000	100.0%
Debt service	36,396	36,397	1	0.0%
Total property taxes levied	589,237	588,503	734	0.1%
Other revenue	3,774	15,715	(11,941)	(76.0%)
Operating grant revenue	1,324	1,324	-	0.0%
Total general revenues	594,335	605,542	(11,207)	(1.9%)
Increase (decrease) in net position	91,589	24,516	(67,073)	273.6%
Net position, January 1	248,924	224,408	24,516	10.9%
Net position, December 31	\$ 340,513	\$ 248,924	91,589	36.8%

Property tax revenue constituted 99% of the total governmental activities revenues received by Fire District No. 4 of the Township of Old Bridge in 2018. In 2017 the property tax revenue constituted 91% of total revenues.

The Cost of Operations & Maintenance was 79% and 83% of the District's total expenses in 2018 and 2017 respectively. Administration expenses equaled 18% and 16% of the total expenses in 2018 and 2017 respectively.

Revenues



FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

Fire District No. 4 of the Township of Old Bridge uses fund accounting to document compliance with finance-related legal requirements.

Government Fund

The primary objective of the District’s governmental funds is to report on cash flows in and out during the period and the ending balances of the spendable resources. This information is useful to evaluate the performance of the District and to assess its future needs and available resources.

As of December 31, 2018, the combined balance of the governmental cash funds of Fire District No. 4 of the Township of Old Bridge was approximately \$478,100. This balance is approximately \$37,600 higher than last year’s combined governmental funds balance. The increase is due primarily to the surplus in the operations.

The combined balance of the governmental funds of Fire District No. 4 of the Township of Old Bridge was approximately \$574,200. Unreserved fund balance amounted to approximately \$332,400 of that total. Approximately \$77,500 have been restricted for capital and funds in the amount of approximately \$164,300 have been restricted for LOSAP.

The general fund is the main operating fund of Fire District No. 4 of the Township of Old Bridge. At the end of 2018, the total fund balance of the general fund was approximately \$496,700. Of this balance, approximately \$332,400 was unreserved.

During 2018 the general fund balance of Fire District No. 4 of the Township of Old Bridge decreased by approximately \$8,300. The primary reasons for this decrease are as follows:

- The Board expended more funds than they received in revenues by approximately \$8,300.

At the end of 2018, the District had a capital projects fund balance of approximately \$77,500. This balance increased from 2017 by approximately \$13,100.

General Fund Budgetary Highlights

The fees charged in 2018 were approximately 7% of the operating revenue. As of July 1, 2017 Fire District No. 4 of the Township of Old Bridge entered into a local service agreement with the Fire District 3 for the Township of Old Bridge to delegate the enforcement under the Uniform Fire Safety Act (UFSA).

The 2018 Budget had revenues equal to expenditures and did not require the utilization of unrestricted surplus accumulated from prior years. The unused surplus becomes available for future budget periods as undesignated surplus in the General Fund.

The District had total actual revenues under budgeted revenues of approximately \$3,600 in 2018. Any excess in 2019 is expected to be relatively small.

Overall, the District spent approximately \$12,600 less than originally anticipated in the budget for 2018.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2018 Fire District No. 4 of the Township of Old Bridge had invested in capital assets for government activities of approximately \$653,100 (net of accumulated depreciation). Capital assets consist of firehouse improvements, fire apparatus, fire equipment, and office equipment. They did not purchase any trucks or vehicles in 2018.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
CAPITAL ASSETS
(NET OF ACCUMULATED DEPRECIATION)
DECEMBER 31, 2018

	2018	2017	\$ Increase (Decrease)
Capital assets			
Equipment	\$ 154,635	\$ 22,921	131,714
Building and improvements	111,310	104,310	7,000
Apparatus	<u>1,391,881</u>	<u>1,391,881</u>	-
Total capital assets	1,519,112	1,519,112	138,714
Accumulated depreciation	<u>(1,004,728)</u>	<u>(925,886)</u>	(78,842)
Total capital assets, net	<u>\$ 653,098</u>	<u>\$ 593,226</u>	59,872

Additional information on Fire District No. 4 of the Township of Old Bridge’s capital assets can be found in Note 6 in the notes to the financial statements.

LONG-TERM OBLIGATIONS

In 2014, the District entered into a lease purchase for the purchase of a 2004 pumper in the amount of \$311,740. As of December 31, 2018, the lease obligation had a balance of \$197,690.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

In 2018, Fire District No. 4 of the Township of Old Bridge was able to cover all its appropriations through the fire tax levy and other revenues. In 2018 the fire tax levy amounted to 99% of total revenue collected.

Fire District No. 4 of the Township of Old Bridge adopted their 2019 budget on January 14, 2019. The voters subsequently voted to approve the budget at the February election. The 2019 adopted budget reflected an increase in the tax levy of \$1,786. The Board anticipates no significant change in the fire tax rate. It is projected that a family with a home assessed at \$250,000 will pay approximately \$288 in 2018 for fire protection.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Fire District No. 4 of the Township of Old Bridge's finances for all of those with an interest in the District's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Fire District No. 4 of the Township of Old Bridge, Cheryl Parker, 3011 Cheesequake Road, Parlin, New Jersey 08859 .

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Statement of Net Position
December 31, 2018

	Governmental Activities
	2018
Assets:	
Current assets:	
Cash (Note 3)	\$ 478,049
Accounts receivable (Note 5)	8,463
Prepaid expense	10,147
Total current assets	496,659
Noncurrent assets:	
Investment in length of service award program (Note 4)	153,309
Total noncurrent assets	153,309
Capital assets, net:	
Depreciable (Note 6)	653,098
Total capital assets	653,098
Total assets	1,303,066
Deferred outflow of resources:	
Deferred outflows related to pensions (Note 8)	54,806
Total deferred outflow of resources	54,806
Total assets and deferred outflow of resources	\$ 1,357,872
Current liabilities:	
Accounts payable	\$ 27,551
Accrued interest	3,685
Accrued payroll liabilities	5,026
Accrued pension	33,039
Current portion capital leases payable (Note 7)	30,624
Total current liabilities	99,925
Noncurrent liabilities:	
Capital leases payable, net of current portion (Note 7)	167,066
Investment in length of service award program payable (Note 7)	164,309
Net pension liability (Note 8)	457,294
Total noncurrent liabilities	788,669
Total liabilities	888,594
Deferred inflow of resources:	
Deferred inflows related to pensions (Note 8)	128,765
Total deferred inflow of resources	128,765
Total liabilities and deferred inflow of resources	1,017,359
Net position:	
Net investment in capital assets	455,408
Restricted for:	
Capital projects	77,481
Unrestricted (Note 13)	(192,376)
Total net position	340,513
Total liabilities, deferred inflows of resources and net position	\$ 1,357,872

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, 2018

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities</u> <u>2018</u>
Government activities:			
Operation appropriations:			
Administration	\$ 92,446	\$ -	\$ (92,446)
Costs of operations and maintenance	399,300	-	(399,300)
Length of service award program contribution	11,000	-	(11,000)
Total government activities	<u>502,746</u>	<u>-</u>	<u>(502,746)</u>
General revenues:			
Miscellaneous revenue			3,774
Operating grant revenues			1,324
Amount raised by taxation			589,237
Total general revenues			<u>594,335</u>
Change in net position			91,589
Net position, January 1			<u>248,924</u>
Net position, December 31			<u><u>\$ 340,513</u></u>

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, 2018

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals December 31, 2018</u>
Assets:				
Current assets:				
Cash	\$ 478,049	\$ -	\$ -	\$ 478,049
Accounts receivable	8,463	-	-	8,463
Other receivables	-	77,481	-	77,481
Total current assets	<u>486,512</u>	<u>77,481</u>	<u>-</u>	<u>563,993</u>
Noncurrent assets:				
Investment in length of service award program	153,309	-	-	153,309
Total noncurrent assets	<u>153,309</u>	<u>-</u>	<u>-</u>	<u>153,309</u>
Total assets	<u>\$ 639,821</u>	<u>\$ 77,481</u>	<u>\$ -</u>	<u>\$ 717,302</u>
Liabilities, equity and other credits:				
Accounts payable	\$ 27,551	\$ -	\$ -	\$ 27,551
Accrued payroll liabilities	5,026	-	-	5,026
Accrued pension	33,039	-	-	33,039
Other payables	77,481	-	-	77,481
Total liabilities	<u>143,097</u>	<u>-</u>	<u>-</u>	<u>143,097</u>
Fund balances:				
Restricted for:				
Capital	-	77,481	-	77,481
Investment in length of service award program	164,309	-	-	164,309
Unassigned, reported in:				
General fund	<u>332,415</u>	<u>-</u>	<u>-</u>	<u>332,415</u>
Total fund balance	<u>496,724</u>	<u>77,481</u>	<u>-</u>	<u>574,205</u>
Total liabilities and fund balance	<u>\$ 639,821</u>	<u>\$ 77,481</u>	<u>\$ -</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.				10,147
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$1,657,826 and the accumulated depreciation is \$1,004,728.				653,098
Accrued interest payable is not recorded in the fund financial statements due to the fact that payable is not due in the period.				(3,685)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.				(73,959)
Long-term liabilities, including bonds payable and length of service award program payable are not due and payable in the current period and are therefore not reported as liabilities in the funds.				<u>(819,293)</u>
Net position of governmental activities				<u>\$ 340,513</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, 2018

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Totals December 31, 2018</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income - unrestricted cash and investments	\$ 867	\$ -	\$ -	\$ 867
Other revenue	2,907	-	-	2,907
Total miscellaneous revenues	<u>3,774</u>	<u>-</u>	<u>-</u>	<u>3,774</u>
Operating grant revenue:				
Supplemental fire service grant	1,324	-	-	1,324
Total operating grant revenue	<u>1,324</u>	<u>-</u>	<u>-</u>	<u>1,324</u>
Total revenues	<u>5,098</u>	<u>-</u>	<u>-</u>	<u>5,098</u>
Amount raised by taxation to support district budget	412,841	140,000	36,396	589,237
Total anticipated revenues	<u>417,939</u>	<u>140,000</u>	<u>36,396</u>	<u>594,335</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	23,500	-	-	23,500
Fringe benefits	1,798	-	-	1,798
Other expenditures:				
Professional fees	56,560	-	-	56,560
Advertising	4,341	-	-	4,341
Elections	1,545	-	-	1,545
Office supplies and postage	4,702	-	-	4,702
Total administration	<u>92,446</u>	<u>-</u>	<u>-</u>	<u>92,446</u>
Cost of operations and maintenance:				
Fringe benefits	74,684	-	-	74,684
Other expenditures:				
Rental charges	50,807	-	-	50,807
Materials and supplies	6,265	-	-	6,265
Insurance	60,503	-	-	60,503
Fire protection	11,000	-	-	11,000
Training and education	7,526	-	-	7,526
Utilities	29,586	-	-	29,586
Maintenance and repairs	31,152	-	-	31,152
Other non-bondable assets	46,982	-	-	46,982
Total cost of operations and maintenance	<u>318,505</u>	<u>-</u>	<u>-</u>	<u>318,505</u>
Length of service award program				
Administrative fees	925	-	-	925
Participant withdrawals	9,052	-	-	9,052
Depreciation in fair value of investments	5,340	-	-	5,340
Total length of service award program	<u>15,317</u>	<u>-</u>	<u>-</u>	<u>15,317</u>
Capital appropriations	-	126,864	-	126,864
Debt service for capital appropriations:				
Capital leases	-	-	29,755	29,755
Interest on capital leases	-	-	6,641	6,641
Total debt service for capital appropriations	<u>-</u>	<u>-</u>	<u>36,396</u>	<u>36,396</u>
Total operating appropriations	<u>426,268</u>	<u>126,864</u>	<u>36,396</u>	<u>589,528</u>
Excess (efficiency) of revenues over (under) expenditures	<u>(8,329)</u>	<u>13,136</u>	<u>-</u>	<u>4,807</u>
Fund balance, January 1	505,053	64,345	-	569,398
Fund balance, December 31	<u>\$ 496,724</u>	<u>\$ 77,481</u>	<u>\$ -</u>	<u>\$ 574,205</u>

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, 2018

Total net changes in Fund Balance-Governmental Funds (B-2) \$ 4,807

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

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.

Capital Outlays-General Fund	11,850	
Capital Outlays-Capital Projects Fund	126,864	
Depreciation Expense	<u>(78,842)</u>	59,872

Prepaid expenses are reported in governmental funds as expenditures. However, in the statement of net position, the cost of these assets are charged to expense and are reported in the statement of activities.

Prior year	(9,254)	
Current year	<u>10,147</u>	893

Length of service award program contribution is not reported in governmental funds as expenditures. However, in the statement of net position, the expense is equal to the amount of contributions to the volunteers accounts as determined by the benefit terms. Change in value of LOSAP investments is not a revenue in the government wide financial statements as it is payable to the volunteers in accordance with the plan benefits.

District contribution to length of service award program	(11,000)	
Depreciation in fair value of investments	5,340	
Administrative fees	925	
Participant withdrawals	<u>9,052</u>	4,317

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. 29,755

Accrual of interest on capital leases and bonds is not an expenditure in the governmental funds, but the adjustment is charged to expense and is reported in the statement of activities.

Prior year	-	
Current year	<u>(3,685)</u>	(3,685)

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities

Pension Expense	<u>(4,370)</u>	<u>(4,370)</u>
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Changes in net position of governmental activities \$ 91,589

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, 2018

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, 2018:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
Mike Donahue	2020
Anthony Guarnera	2021
David Kerchner	2019
Ann Peel	2019
Drew Vagts	2020

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, 2018

NOTE 1: GENERAL INFORMATION (continued)

D. Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

E. Component Units

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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

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

B. Fund Accounting

The accounts of the district are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

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.

C. District Wide and Fund Financial Statements

District Wide Financial Statements

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

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

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. District Wide and Fund Financial Statements (continued)

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

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

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

Fund Financial Statements

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

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and economic resources 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. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

In its accounting and financial reporting, the Fire District No. 4 of the Township of Old Bridge follows the pronouncements of the Governmental Accounting Standards Board (GASB).

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 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, 2018.

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 DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Cash and Cash Equivalents (continued)

Fire Districts are required by N.J.S.A. 40A: 5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey organized under the laws of the United States or of the State of New Jersey or with the New Jersey Cash Management Fund. N.J.S.A. 40A: 5-15.1 provides a list of investments that may be purchased by Fire Districts.

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

Public funds are defined as the funds of any governmental unit. Public depositories include savings and loan institutions, banks (both State and National banks) and savings banks the deposits of which they are federally insured. All public depositories must pledge collateral, having a market value of five percent of its average daily balance of collected public funds, to secure the deposits of governmental units. If public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

H. Prepaid Expenses

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

I. Debt Limitation

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

J. Capital Assets

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

Depreciation is recorded on the straight-line method over the useful lives of the assets as follows:

Building and Improvements	7 to 20 Years
Equipment	5 to 10 Years
Trucks and vehicles	5 to 20 Years

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Inventory, Materials and Supplies

The inventory on hand at any time is small. Accordingly, purchases are charged directly to 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.

M. Revenues and Expenditures – Governmental Funds

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

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

N. 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.

O. 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, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. 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.

P. 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.

Q. 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.

R. Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

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

Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions. This Statement replaces the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agency Employers and Agent Multi-Employer Plans, for OPEB Statement No. 74, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB Plans. This statement had no material impact on 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, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Impact of Recently Issued Accounting Principles (continued)

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

Recently Issued Accounting Pronouncements

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

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

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

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

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

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Unrealized Gains and Losses

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

T. 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.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Fair Value Measurement (continued)

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

Registered Investment Companies: Valued at the net asset value (NAV) of shares held by the plan at year end.

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

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

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

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.

V. Subsequent Events

Fire District No. 4 of the Township of Old Bridge has evaluated subsequent events occurring after December 31, 2018 through the date of August 27, 2019, which is the date the financial statements were available to be issued. See Note 16 for information regarding subsequent events.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 3: CASH

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

Deposits:

Demand deposits	\$ 478,049
Total deposits	<u>\$ 478,049</u>

Reconciliation to Governmental Fund Statements:

Governmental Funds	\$ 478,049
Total	<u>\$ 478,049</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2018, the District's bank balance of \$478,500 was insured or collateralized as follows:

Insured	\$ 250,000
Collateralized not in the District's name under GUDPA	<u>228,500</u>
Total	<u>\$ 478,500</u>

NOTE 4: INVESTMENTS

A. Custodial Credit Risk

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

B. Investment Interest Rate Risk

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

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 4: INVESTMENTS (continued)

C. Investment Credit Risk (continued)

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, 2018:

	Assets at Fair Value as of December 31, 2018			
	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Length of Service Awards Program:				
Registered investment companies	\$ 98,036	-	-	\$ 98,036
Fixed account investment contract	-	-	55,273	55,273
Total LOSAP at fair value	<u>\$ 98,036</u>	<u>-</u>	<u>\$ 55,273</u>	<u>\$ 153,309</u>

Level III Gains and Losses

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

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 4: INVESTMENTS (continued)

C. Investment Credit Risk (continued)

	Level III Assets Year Ended <u>December 31, 2018</u>
Balance, beginning of year	\$ 55,262
Purchases, sales, issuances and settlements (net)	(1,533)
Gains & (Losses)	<u>1,544</u>
Balance, end of year	<u>\$ 55,273</u>

NOTE 5: ACCOUNTS RECEIVABLE

As of December 31, 2018, accounts receivable consisted of the following:

Employee health benefits receivable	\$ 6,969
Workers compensation receivable	<u>1,494</u>
Total	<u>\$ 8,463</u>

NOTE 6: CAPITAL ASSETS

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

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

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities:				
Capital assets				
Equipment	\$ 22,921	\$ 131,714	\$ -	\$ 154,635
Buildings and improvements	104,310	7,000	-	111,310
Trucks and vehicles	<u>1,391,881</u>	<u>-</u>	<u>-</u>	<u>1,391,881</u>
Total capital assets at historical cost	<u>1,519,112</u>	<u>138,714</u>	<u>-</u>	<u>1,657,826</u>
Less: accumulated depreciation:				
Equipment	(7,765)	(11,412)	-	(19,177)
Buildings and improvements	(83,240)	(5,703)	-	(88,943)
Trucks and vehicles	<u>(834,881)</u>	<u>(61,727)</u>	<u>-</u>	<u>(896,608)</u>
Total accumulated depreciation	<u>(925,886)</u>	<u>(78,842)</u>	<u>-</u>	<u>(1,004,728)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>\$ 593,226</u>	<u>\$ 59,872</u>	<u>\$ -</u>	<u>\$ 653,098</u>

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 7: NONCURRENT LIABILITIES

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

	<u>Balance</u> <u>12/31/17</u>	<u>Accrued/</u> <u>increases</u>	<u>Retired/</u> <u>decreases</u>	<u>Balance</u> <u>12/31/18</u>	<u>Due within</u> <u>One Year</u>
Obligations under capital lease	\$ 227,445	\$ -	\$ (29,755)	\$ 197,690	\$ 30,624
Length of service award program	168,626	11,000	(15,317)	164,309	-
Net pension liability	<u>524,186</u>	<u>-</u>	<u>(66,892)</u>	<u>457,294</u>	<u>-</u>
Total	<u>\$ 920,257</u>	<u>\$ 11,000</u>	<u>\$ (111,964)</u>	<u>\$ 819,293</u>	<u>\$ 30,624</u>

Capital Leases

The following is a schedule of future minimum capital lease payments at December 31, 2018:

For the year ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 30,624	\$ 5,772	\$ 36,396
2020	31,518	4,878	36,396
2021	32,438	3,958	36,396
2022	33,385	3,011	36,396
2023	34,360	2,036	36,396
2024	<u>35,365</u>	<u>1,033</u>	<u>36,398</u>
Total	<u>\$ 197,960</u>	<u>\$ 20,687</u>	<u>\$ 218,378</u>

NOTE 8: PENSION OBLIGATIONS

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

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, 2018

NOTE 8: PENSION OBLIGATIONS (continued)

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

Basis of Presentation – The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PFRS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PFRS or the participating employers. 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 2018, 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. For the year ended December 31, 2018, the District's contractually required contributions to PFRS plan was \$33,039.

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

Net Pension Liability and Pension Expense – At December 31, 2018 the District's proportionate share of the PFRS net pension liability was \$457,294. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2017, to the measurement date of June 30, 2018. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2018. The District's proportion measured as of June 30, 2017, was 0.0033794395%, which was a decrease of 0.0000159699% from its proportion measured as of June 30, 2017.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 8: PENSION OBLIGATIONS (continued)

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

Balances at December 31, 2018 and December 31, 2017

	<u>12/31/2018</u>	<u>12/31/2017</u>
Actuarial valuation date (including roll forward)	June 30, 2018	June 30, 2017
Deferred Outflows of Resources	\$ 54,806	\$ 93,168
Deferred Inflows of Resources	128,765	95,865
Net Pension Liability	457,294	524,186
District’s portion of the Plan's total Net Pension Liability	0.00338%	0.00340%

Pension Expense and Deferred Outflows/Inflows of Resources – At December 31, 2018, the District’s proportionate share of the PFRS expense, calculated by the plan as of the June 30, 2018 measurement date is \$37,409.

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 4,652	\$ 1,892
Changes of Assumptions	39,253	117,197
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	2,502
Changes in Proportion and Differences Between the District’s Contributions and Proportion Share of Contributions	<u>10,901</u>	<u>7,174</u>
	<u>\$ 54,806</u>	<u>\$ 128,765</u>

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 8: PENSION OBLIGATIONS (continued)

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

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	-	5.53
June 30, 2016	-	5.58
June 30, 2017	5.59	-
June 30, 2018	5.73	-
Changes in Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.17	-
June 30, 2015	5.53	-
June 30, 2016	5.58	-
June 30, 2017	-	5.59
June 30, 2018	-	5.73
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
Changes in Proportion and Differences between District's 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
June 30, 2017	5.59	5.59
June 30, 2018	5.73	5.73

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 8: PENSION OBLIGATIONS (continued)

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

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

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2019	\$ 11,189
2020	(4,978)
2021	(29,322)
2022	(42,927)
2022	<u>(7,921)</u>
	<u>\$ (73,959)</u>

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.

The State’s proportionate share of the PFRS net pension liability attributable to the District is \$62,116 as of December 31, 2018. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2017, to the measurement date of June 30, 2018. 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, 2017, was 0.0033794395%, which was a decrease of 0.0000159699% from its proportion measured as of June 30, 2017.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 8: PENSION OBLIGATIONS (continued)

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

At December 31, 2018, the District’s and the State of New Jersey’s proportionate share of the PFRS net pension liability were as follows:

District’s Proportionate Share of Net Pension Liability	\$ 457,294
State of New Jersey’s Proportionate Share of Net Pension Liability Associated with the District	<u>62,116</u>
	<u>\$ 519,410</u>

At December 31, 2018, the State’s proportionate share of the PFRS expense, associated with the District, calculated by the plan as of the June 30, 2018 measurement date was \$7,358

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

Inflation	2.25%
Salary Increases:	
Through 2026	2.10% – 8.98% Based on Age
Thereafter	3.10% – 9.98% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial Assumptions were Based	July 1, 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 2012 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.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 8: PENSION OBLIGATIONS (continued)

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

In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2012 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, 2017 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 (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS’s target asset allocation as of June 30, 2018 are summarized in the following table:

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

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 8: PENSION OBLIGATIONS (continued)

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

Discount Rate – The discount rate used to measure the total pension liability was 6.51% as of June 30, 2018. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 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 (5.51%) or 1-percentage-point higher (7.51%) than the current rate:

	1% Decrease <u>(5.51%)</u>	Current Discount Rate <u>(6.51%)</u>	1% Increase <u>(7.51%)</u>
District’s Proportionate Share of the Net Pension Liability	\$ 612,031	\$ 457,294	\$ 328,771
State of New Jersey’s Proportionate Share of Net Pension Liability associated with the District	<u>83,135</u>	<u>62,116</u>	<u>44,658</u>
	<u>\$ 695,166</u>	<u>\$ 519,410</u>	<u>\$ 373,429</u>

NOTE 9: LENGTH OF SERVICE AWARDS PROGRAM

The District’s length of service awards program (“LOSAP”), which is reported in the District’s general fund, pursuant to Section 457 (e)(11)(B) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the length of service award program as enacted into federal law in 1997.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 9: LENGTH OF SERVICE AWARDS PROGRAM (continued)

The LOSAP provides tax deferred income benefits to active volunteer firefighters and emergency medical personnel.

The tax deferred income benefits for the active volunteer firefighters and emergency medical personnel serving the residents the Township of Old Bridge come from contributions made solely by the governing body of the District, on behalf of those volunteers who meet the criteria of a plan created by that governing body. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

Contributions – If an active member meets the year of active service requirement, a length of service awards program must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per initial plan year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually. The District elected to contribute \$1,000 for the year ended December 31, 2018, per eligible volunteer, into the Plan. During the year ended December 31, 2018, the District contributed a total of \$11,000 to the plan. Participants direct the investment of the contributions into various investment options offered by the Plan. The District has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the Plan. The types of investment options, and the administering of such investments, rests solely with the plan administrator.

Participant Accounts – Each participant's account is credited with the District's contribution and Plan earnings, and charged with administrative expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. The District has placed the amounts deferred, including earnings, in a trust maintained by a third-party administrator for the exclusive benefit of the plan participants and their beneficiaries. Such funds, although subject to the claims of the District's creditors until distributed as benefit payments, are not available for funding the operations of the District. The funds may also be used to pay the administrative fees charged by the Plan Administrator. Lincoln Financial Group ("Plan Administrator"), an approved Length of Service Awards Program provider, is the administrator of the Plan. The District's practical involvement in administering the Plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the Plan Administrator.

Vesting – Benefits, plus actual earnings thereon, are one hundred percent (100%) vested after five (5) years of service.

Payment of Benefits – Upon retirement or disability, participants may select various payout options, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate. In the event of an unforeseeable emergency, as outlined in the Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the local plan administrator to payout a portion of vested accumulated deferrals. During the year ended December 31, 2018, \$9,052 were made to vested participants.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

NOTE 9: LENGTH OF SERVICE AWARDS PROGRAM (continued)

Forfeited Accounts – There were no forfeitures during the year ended December 31, 2018.

Investments – The investments of the length of service awards program reported on the statement of fiduciary net position are recorded at fair value.

Plan Information – Additional information about the Fire District’s length of service awards program can be obtained by contacting the Plan Administrator.

NOTE 10: OTHER RECEIVABLES, PAYABLES AND TRANSFERS

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

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
General	\$ -	\$ 77,481
Capital projects	<u>77,481</u>	<u>-</u>
Totals	<u>\$ 77,481</u>	<u>\$ 77,481</u>

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

NOTE 11: FUNDING

The activities of the Board of Commissioners are primarily funded by fire tax on property owners of the Fire District, as provided by state statute. For the year ended December 31, 2018, the fire tax rate was \$.320 per \$100 of assessed valuation.

The District also participates in the Supplemental Fire Services Programs and received a basic entitlement grant of approximately \$1,324. As a condition of the grant, the Board must match the grant by 10%.

NOTE 12: FUND BALANCE

General Fund – Of the \$496,724 General Fund fund balance at December 31, 2018, \$164,309 is restricted for length of service award program and \$332,415 is unassigned.

Capital Projects Fund – Of the \$77,481 Capital Projects Fund fund balance at December 31, 2018, \$77,481 is restricted for capital.

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

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2018

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 \$(192,376) existed as of December 31, 2018 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: COOPERATIVE AGREEMENT

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

NOTE 15: PENDING LITIGATION

There are actions, which have been instituted against the District. The outcome of these actions cannot be determined at the present time. The final outcomes, if unfavorable to the District, will be covered through the budgetary process.

NOTE 16: SUBSEQUENT EVENTS

On December 10, 2018 the District agreed to purchase fire apparatus in the amount of \$524,590. Subsequently, on March 10, 2019 the District issued a down payment in the amount of \$100,000 towards the fire apparatus and entered into a lease purchase agreement with Municipal Asset Management, Inc. for remaining balance of \$424,590. The District will take delivery of the fire apparatus in the fourth quarter of 2019.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Budgetary Comparison Schedule
For the year ended December 31, 2018

	Original Budget	Modified Budget	Actual Budgetary Basis	Variance
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 200	\$ 200	\$ 867	\$ 667
Other revenue	-	-	2,907	2,907
Total miscellaneous revenues	200	200	3,774	3,574
Operating grant revenue:				
Supplemental fire service grant	1,324	1,324	1,324	-
Total operating grant revenue	1,324	1,324	1,324	-
Total revenues	1,524	1,524	5,098	3,574
Amount raised by taxation to support district budget				
	589,237	589,237	589,237	-
Total anticipated revenues	590,761	590,761	594,335	3,574
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	23,500	23,500	23,500	-
Fringe benefits	2,115	2,115	1,798	317
Other expenditures:				
Professional fees	34,700	56,700	56,560	140
Advertising	-	4,500	4,341	159
Elections	-	1,600	1,545	55
Office supplies and postage	10,000	5,000	4,702	298
Total administration	70,315	93,415	92,446	969
Cost of operations and maintenance:				
Fringe benefits	50,050	55,050	74,684	(19,634)
Other expenditures:				
Rental charges	52,000	51,000	50,807	193
Materials and supplies	4,000	6,300	6,265	35
Insurance	50,000	61,000	60,503	497
Fire protection	20,000	11,000	11,000	-
Training and education	12,000	7,600	7,526	74
Utilities	26,000	30,000	29,586	414
Maintenance and repairs	50,000	39,000	31,152	7,848
Penalty	10,000	5,000	-	5,000
Other non-bondable assets	55,000	47,000	46,982	18
Total cost of operations and maintenance	329,050	312,950	318,505	(5,555)
Length of service award program	15,000	15,000	11,000	4,000
Capital appropriations:				
Capital assets	140,000	140,000	126,864	13,136
Total capital appropriations	140,000	140,000	126,864	13,136
Debt service for capital appropriations:				
Capital leases	29,755	29,755	29,755	-
Interest on capital leases	6,641	6,641	6,641	-
Total debt service for capital appropriations	36,396	36,396	36,396	-
Total operating appropriations	590,761	597,761	585,211	12,550
Excess (deficiency) of revenues under (over) expenditures	-	(7,000)	9,124	16,124
Fund balance, January 1	400,772	400,772	400,772	-
Fund balance, December 31	\$ 400,772	\$ 393,772	\$ 409,896	\$ 16,124
RECAPITULATION OF FUND BALANCE				
Restricted fund balance:				
Capital			\$ 77,481	
Unassigned fund balance			332,415	
Total - budgetary basis			409,896	
Reconciliation to governmental fund statements (GAAP):				
Length of service award program investment balance not recognized on the budgetary basis			164,309	
Total fund balance per governmental funds (GAAP)			\$ 574,205	

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF OLD BRIDGE
Notes to the Required Supplementary Information
Budget-to-GAAP Reconciliation
For the year ended December 31, 2018

	<u>Total Governmental Funds</u>
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) "Revenue"	
From the Budgetary Comparison Schedule (C-1)	\$ 594,335
Difference - Budget to GAAP:	
Budgetary basis differs from GAAP in that the District does not budget for length of service award program investment income. GASB 73 requires the investment appreciation in the length of service award program to be shown in financial statements using the current financial resources measurement focus and modified accrual basis of accounting:	
Net appreciation in fair value of investments	<u>-</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u><u>\$ 594,335</u></u>
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Appropriations"	
From the Budgetary Comparison Schedule (C-1)	\$ 585,211
Budgetary basis differs from GAAP in that the District is required to budget for contributions to the length of service award program. Expenditures under the current financial resources measurement focus and modified accrual basis of accounting are limited to the benefits paid in accordance with the Plan.	
Length of service award program district contribution	(11,000)
Depreciation in fair value of investments	5,340
Administrative fees	925
Participant withdrawals	<u>9,052</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u><u>\$ 589,528</u></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 Six Fiscal Years *

	Measurement Date Ended June 30,					
	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability (asset)	0.00338%	0.00340%	0.00344%	0.00327%	0.00328%	0.00330%
Districts proportionate share of the net pension liability (asset)	\$ 457,294	\$ 524,186	\$ 656,900	\$ 544,766	\$ 412,484	\$ 438,740
State's proportionate share of the net pension liability associated with the District (asset)	62,116	58,713	55,163	47,774	44,418	40,896
Total	\$ 519,410	\$ 582,899	\$ 712,063	\$ 592,540	\$ 456,902	\$ 479,636
District's covered-employee payroll	-	111,012	109,912	106,204	103,572	102,548
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0%	472%	598%	513%	398%	428%
Plan fiduciary net position as a percentage of the total pension liability	62.48%	58.60%	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.

EXHIBIT L-2

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

	Year Ended December 31,					
	2017	2017	2016	2015	2014	2013
Contractually required contribution	\$ 33,039	\$ 30,050	\$ 28,038	\$ 26,585	\$ 25,186	\$ 24,078
Contributions in relation to the contractually required contribution	(33,039)	(30,050)	(28,038)	(26,585)	(25,186)	(24,078)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	-	65,399	111,012	109,912	106,204	103,572
Contributions as a percentage of covered-employee payroll	0%	46%	25%	24%	24%	23%

* 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, 2018

Police and Firemen's Retirement System (PFRS)

Changes of Benefit Terms

None.

Changes of Assumptions

The discount rate changed from 6.14% as of June 30, 2017, to 6.51% as of June 30, 2018.

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, 2018

Description	Date of Lease	Term of Lease	Amount of Original Issue		Annual Maturities Date	Interest Rate Payable	Amount Outstanding January 1, 2018	Issued	Retired	Amount Outstanding December 31, 2018
			Principal	Interest						
Pumper - Lease 2004	5/12/14	10 years	\$ 311,740	\$ 52,224	5/12/2019	2.92%	\$ 227,445	\$ -	\$ 29,755	\$ 197,690
					5/12/2020	2.92%				
					5/12/2021	2.92%				
					5/12/2022	2.92%				
					5/12/2023	2.92%				
					5/12/2024	2.92%				
					Total		\$ 227,445	\$ -	\$ 29,755	\$ 197,690

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

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, 2018. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS 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.

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.

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.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

August 27, 2019
Toms River, New Jersey