

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

**Financial Statements**

**For the year ended December 31, 2015**

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Financial Statements**  
**For the year ended December 31, 2015**  
**(With Independent Auditor's Report thereon)**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 3 of the Township of Old Bridge, County of Middlesex, State of New Jersey, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining

fund information of the Fire District No. 3 of the Township of Old Bridge, County of Middlesex, State of New Jersey, as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### ***Adoption of New Accounting Pronouncement***

As discussed in Note 2 to the financial statements, during the year ended December 31, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No.27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

## **Other Matters**

### ***Required Supplementary Information***

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

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

In accordance with Government Auditing Standards, we have also issued our report dated April 30, 2016, on our consideration of the Fire District No. 3 of the Township of Old Bridge's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Fire District No. 3 of the Township of Old Bridge's internal control over financial reporting and compliance.

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

April 30, 2016  
Toms River, New Jersey



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

Board of Fire Commissioners  
Fire District No. 3 of the Township of Old Bridge:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fire District No. 3 of the Township of Old Bridge, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Fire District No. 3 of the Township of Old Bridge’s basic financial statements, and have issued our report thereon dated April 30, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Fire District No. 3 of the Township of Old Bridge's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fire District No. 3 of the Township of Old Bridge’s internal control. Accordingly, we do not express an opinion on the effectiveness of Fire District No. 3 of the Township of Old Bridge’s internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying general comments and recommendations, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the general comments and recommendations to be a significant deficiencies as findings 2015-001 and 2015-002.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Fire District No. 3 of the Township of Old Bridge's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 and which are described in the comments and recommendations as items 2015-001 and 2015-002.

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

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

## **Purpose of this Report**

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

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

April 30, 2016  
Toms River, New Jersey

**TOWNSHIP OF OLD BRIDGE FIRE DISTRICT NO. 3  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
UNAUDITED**

The discussion and analysis of Township of Old Bridge Fire District No. 3's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999.

**Financial Highlights**

Key financial highlights for 2015 are as follows:

In total, net position increased \$82,943 from 2014. Due to the implementation of GASB 68, the previously stated net position was decreased by \$455,002 through a prior period adjustment.

General revenues accounted for \$1,457,662 or 88.49 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$189,597 or 11.51 percent of total revenues of \$1,647,259.

Total assets of governmental activities increased by \$221,357 as cash and cash equivalents increased by \$16,898, prepaid expenses increased \$16,224, net capital assets increased by \$188,235 and deferred outflows of resources increase \$67,110.

The District had \$1,564,316 in expenses; only \$189,597 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$1,457,662 and fund balance were adequate to provide for these programs.

Among governmental funds, the General Fund had \$1,244,635 in revenues and \$1,381,243 in expenditures. The General Fund's fund balance decreased \$136,608 over 2014.

**Using this Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Township of Old Bridge Fire District No. 3 as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

## District-Wide Financial Statements (Statement of Net Position and Statement of Activities)

These statements provide both short-term and long-term information about the District's overall financial status.

### Fund Financial Statements

Fund financial statements focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.

- The governmental funds statements tell how basic services were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

**Figure A-1  
Major Features of District-Wide and Fund Financial Statements**

|  | District-wide Statements   | Fund Financial Statements<br>Governmental Funds   | Fiduciary Funds   |
|--|--|---|---|
| Scope                                  | Entire district (except fiduciary funds)   | The activities of the district that are not proprietary or fiduciary  | Instances in which the district administers resources on behalf of someone else   |
| Required financial statements          | <ul style="list-style-type: none"> <li>•Statement of net assets</li> <li>•Statement of activities</li> </ul> | <ul style="list-style-type: none"> <li>•Balance sheet</li> <li>•Statement of revenues, expenditures, and changes in fund balances</li> </ul>                                      | <ul style="list-style-type: none"> <li>•Statement of fiduciary net assets</li> <li>•Statement of changes in fiduciary net assets</li> </ul> |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial resources focus   | Accrual accounting and economic resources focus   |
| Type of assets/liability information   | All assets and liabilities, both financial and capital, short-term and long-term                             | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included                     | All assets and liabilities, both short-term, and long-term. The District's funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information     | All revenues and expenses during year, regardless of when cash is received or paid                           | Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable | All additions and deductions, during the year, regardless of when cash is received or paid  |

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. In the case of Township of Old Bridge Fire District No. 3, the General Fund is by far the most significant fund.



## **Reporting the District as a Whole Statement of Net Position and the Statement of Activities**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District, as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in those positions. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include the District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required programs and other factors.

## **Reporting the District's Most Significant Funds Fund Financial Statements**

Fund financial reports provide detailed information about the District's funds. The District uses many funds to account for a multitude of financial transaction. The District's governmental funds are the General Fund and Capital Projects Fund.

### **Governmental Funds**

The District's activities are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services 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 programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

### **Notes to the Financial Statements**

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

### **The District as a Whole**

Recall that the Statement of Net Position provides the perspective of the District as a whole. Net position may serve over time as a useful indicator of a government's financial position. The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**Table A-1  
Summary of Net Position**

|   | Governmental Activities |              | Percentage<br>Change<br><u>2014-2015</u> |
|---|-------------------------|--------------|--|
|   | <u>2015</u>             | <u>2014</u>  |  |
| Current and Other Assets                        | \$ 2,853,656            | \$ 3,199,356 | -10.81%                                  |
| Capital Assets                                  | 2,594,377               | 2,287,030    | 13.44%                                   |
| Total Assets                                    | \$ 5,448,033            | \$ 5,486,386 | -0.70%                                   |
| Deferred Outflows of Resources                  | 67,110                  | -            | 100.00%                                  |
| Total Deferred Outflows of Resources            | \$ 67,110               | \$ -         | 100.00%                                  |
| Long-Term Liabilities                           | \$ 815,702              | \$ 382,555   | 113.22%                                  |
| Other Liabilities                               | 12,345                  | 120,770      | -89.78%                                  |
| Total Liabilities                               | \$ 828,047              | \$ 503,325   | 64.52%                                   |
| Deferred Inflows of Resources                   | 76,094                  | -            | 100.00%                                  |
| Total Deferred Inflows of Resources             | \$ 76,094               | \$ -         | 100.00%                                  |
| Net Position:                                   |                         |              |  |
| Invested in capital assets, net of related debt | \$ 2,594,377            | \$ 2,287,030 | 13.44%                                   |
| Restricted                                      | 1,634,012               | 1,343,967    | 21.58%                                   |
| Unrestricted                                    | 382,613                 | 1,352,064    | -71.70%                                  |
| Total Net Position                              | \$ 4,611,002            | \$ 4,983,061 | -7.47%                                   |

**Table A-2  
Summary of Changes in Net Position**

|   | Governmental Activities |              | Percentage<br>Change<br><u>2014-2015</u> |
|---|-------------------------|--------------|--|
|   | <u>2015</u>             | <u>2014</u>  |  |
| REVENUES:                                     |                         |              |  |
| Program Revenues:                             |                         |              |  |
| Charges for Services                          | \$ 189,597              | \$ 196,448   | 1.78%                                    |
| General Revenues:                             |                         |              |  |
| Property Taxes                                | 1,442,000               | 1,442,000    | 0.00%                                    |
| State Formula Aid                             | 9,486                   | 9,486        | 0.00%                                    |
| Other   | 6,176                   | 5,039        | (88.06)%                                 |
| Total Revenues                                | \$ 1,647,259            | \$ 1,652,973 | (2.00)%                                  |
| EXPENSES:                                     |                         |              |  |
| Administration                                | \$ 210,479              | \$ 193,541   | 3.16%                                    |
| Cost of Operations and Maintenance            | 1,032,479               | 958,707      | 14.72%                                   |
| Operating Appropriations Offset with Revenues | 234,550                 | 219,474      | 10.23%                                   |
| Length of Services Award Program              | 86,808                  | 130,284      | 22.14%                                   |
| Total Expenses                                | \$ 1,564,316            | \$ 1,502,006 | 13.02%                                   |
| Increase (Decrease) in Net Position           | \$ 82,943               | \$ 150,967   | (57.79)%                                 |

## Governmental Activities

The unique nature of property taxes in New Jersey creates the legal requirements to annually seek voter approval for the District operations. Property taxes made up 87.54% of revenues for governmental activities for Township of Old Bridge Fire District No. 3 for 2015. The District's total revenues were \$1,647,259 for the year ended December 31, 2015. Charges for services accounted for 11.51% of revenue, state aid accounted for another 0.58% of revenue, other miscellaneous revenue accounted for the remaining .37%.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

**Table A-3  
Cost of Services vs Net Cost of Services**

|  | Total Cost<br>of Services | Net Cost<br>of Services | Total Cost<br>of Services | Net Cost<br>of Services |
|--|---------------------------|-------------------------|---------------------------|-------------------------|
|  | <u>2015</u>               | <u>2015</u>             | <u>2014</u>               | <u>2014</u>             |
| Administration                                   | \$ 210,479                | \$ 210,479              | \$ 193,541                | \$ 193,541              |
| Cost of Operations and Maintenance               | 1,032,479                 | 842,882                 | 958,707                   | 762,259                 |
| Operating Appropriations Offset<br>with Revenues | 234,550                   | 234,550                 | 219,474                   | 219,474                 |
| Interest   | -                         | -                       | -                         | -                       |
| Length of Service Awards Program                 | 86,808                    | 86,808                  | 130,284                   | 130,284                 |
| Total Expenses                                   | \$ 1,564,316              | \$ 1,374,719            | \$ 1,502,006              | \$ 1,305,558            |

Administration includes expenses associated with administrative and financial supervision of the District.

Cost of Operations and Maintenance involve keeping equipment in an effective working condition.

## The District's Funds

All governmental funds (i.e., general fund, capital projects fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$1,647,259, expenditures were \$1,883,251. The change in fund balance for the year in the general fund was an increase of \$136,608 and a decrease of \$99,765 in the capital projects fund.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the General Fund for the year ended December 31, 2015, and the amount of increases and decreases in relation to prior year revenues.

**Table A-4  
Summary of Revenues-General Fund**

| <u>Revenues:</u>                    | <u>2015</u>  | <u>2014</u>  | Increase<br>(Decrease)<br>from 2014 | Percent of<br>Increase<br>(Decrease) |
|-------------------------------------|--------------|--------------|-------------------------------------|--------------------------------------|
| Local Sources:                      |              |              |                                     |                                      |
| Miscellaneous Revenue               | \$ 3,552     | \$ 4,312     | \$ (760)                            | -17.63%                              |
| Revenues Offset with Appropriations | 189,597      | 196,448      | (6,851)                             | -3.49%                               |
| Amount to be Raised by Taxation     | 1,042,000    | 1,047,000    | (5,000)                             | -0.48%                               |
| State Sources                       | 9,486        | 9,486        | -                                   | 0.00%                                |
| Total                               | \$ 1,244,635 | \$ 1,257,246 | \$ (12,611)                         | -1.00%                               |

The following schedule presents a summary of General Fund expenditures for the year ended December 31, 2015 and the increases and decreases in relation to prior year amounts.

**Table A-5  
Summary of Expenditures-General Fund**

| <u>Expenditures:</u>                     | <u>2015</u>  | <u>2014</u>  | Increase<br>(Decrease)<br>from 2014 | Percent of<br>Increase<br>(Decrease) |
|--|--------------|--------------|-------------------------------------|--------------------------------------|
| Administration                           | \$ 211,095   | \$ 193,942   | \$ 17,153                           | 8.84%                                |
| Cost of Operations and Maintenance       | 836,884      | 718,347      | 118,537                             | 16.50%                               |
| Operating Appropriations Offset Revenues | 234,550      | 219,474      | 15,076                              | 6.87%                                |
| Length of Service Award Program          | 98,714       | 108,169      | (9,455)                             | 0.00%                                |
| Total                                    | \$ 1,381,243 | \$ 1,239,932 | \$ 141,311                          | 11.40%                               |

### Capital Assets

At the end of the year 2015, the District had \$5,885,143 invested in buildings, furniture and equipment, and vehicles. Table 6 shows 2015 balances compared to 2014.

**Table A-6  
Summary of Capital Assets  
(Net of Depreciation)**

|                                     | Governmental Activities |              | Increase<br>(Decrease)<br>from 2014 | Percent of<br>Increase<br>(Decrease) |
|-------------------------------------|-------------------------|--------------|-------------------------------------|--------------------------------------|
|                                     | <u>2015</u>             | <u>2014</u>  |                                     |                                      |
| Apparatus in Progress               | \$ 404,695              | \$ -         | \$ 404,695                          | 100.00%                              |
| Buildings and Building Improvements | 230,611                 | 255,314      | (24,703)                            | -9.68%                               |
| Vehicles                            | 1,540,097               | 1,715,839    | (175,742)                           | -10.24%                              |
| Equipment                           | 418,974                 | 315,877      | 103,097                             | 32.64%                               |
| Total                               | \$ 2,594,377            | \$ 2,287,030 | \$ 307,347                          | 13.44%                               |

### **For the Future**

The Township of Old Bridge Fire District No. 3 is in good financial condition presently. The District is proud of its community support.

In conclusion, the Township of Old Bridge Fire District No. 3 has committed itself to financial excellence for many years. In addition, the District's system for financial planning, budgeting, and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenge of the future.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Treasurer, at the Township of Old Bridge Fire District No. 3, 913 Englishtown Road, Old Bridge, NJ 08857.

Concluded

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Statement of Net Position**  
**December 31, 2015**

|   | <b>Governmental Activities</b> |
|---|--------------------------------|
|   | <b><u>2015</u></b>             |
| Assets:   |                                |
| Current assets:                                     |                                |
| Cash  | \$ 2,783,263                   |
| Prepaid expenses                                    | 70,393                         |
| Total current assets                                | 2,853,656                      |
| Capital assets (net of depreciation)                | 2,594,377                      |
| Total assets  | 5,448,033                      |
| <br>  |                                |
| Deferred outflows of resources:                     |                                |
| Deferred outflows related to pensions               | 67,110                         |
| Total deferred outflows of resources                | 67,110                         |
| Total assets and deferred outflows of resources     | 5,515,143                      |
| <br>  |                                |
| Liabilities:  |                                |
| Current liabilities:                                |                                |
| Accounts payable                                    | 9,732                          |
| Payroll deductions payable                          | 2,613                          |
| Total current liabilities                           | 12,345                         |
| Non-current liabilities:                            |                                |
| Unfunded LOSAP obligation                           | 362,792                        |
| Compensated absences                                | 7,241                          |
| Pension payable                                     | 16,439                         |
| Net pension liability                               | 429,230                        |
| Total non-current liabilities                       | 815,702                        |
| Total liabilities                                   | 828,047                        |
| <br>  |                                |
| Deferred inflows of resources:                      |                                |
| Deferred inflows related to pensions                | 76,094                         |
| Total deferred inflows of resources                 | 76,094                         |
| Total liabilities and deferred inflows of resources | 904,141                        |
| <br>  |                                |
| Net position:                                       |                                |
| Net investment in capital assets                    | 2,594,377                      |
| Restricted net position:                            |                                |
| Other purposes                                      | 322,445                        |
| Capital   | 1,311,567                      |
| Unrestricted net position:                          |                                |
| Undesignated  | 382,613                        |
| Total net position                                  | \$ 4,611,002                   |

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Statement of Activities**  
**For the year ended December 31, 2015**

|   | <u>Expenses</u> | <u>Charges for<br/>Services</u> | <u>Governmental Activities<br/>2015</u> |
|---|-----------------|---------------------------------|---|
| Government activities:                        |                 |                                 |   |
| Operation appropriations:                     |                 |                                 |   |
| Administration                                | \$ 210,479      | \$ -                            | \$ 210,479                              |
| Costs of operations and maintenance           | 1,032,479       | 189,597                         | 842,882                                 |
| Operating appropriations offset with revenues | 234,550         | -                               | 234,550                                 |
| Length of service award contribution          | 86,808          | -                               | 86,808                                  |
|   | <hr/>           | <hr/>                           | <hr/>                                   |
| Total government activities                   | 1,564,316       | 189,597                         | 1,374,719                               |
|   |                 |                                 |   |
| General revenues:                             |                 |                                 |   |
| Miscellaneous revenue                         |                 |                                 | 6,176                                   |
| Operating grant revenues                      |                 |                                 | 9,486                                   |
| Amount raised by taxation                     |                 |                                 | 1,442,000                               |
|   |                 |                                 | <hr/>                                   |
| Total general revenues                        |                 |                                 | 1,457,662                               |
|   |                 |                                 |   |
| Change in net position                        |                 |                                 | 82,943                                  |
| Net position, January 1                       |                 |                                 | 4,983,061                               |
|   |                 |                                 | <hr/>                                   |
| Prior period adjustment (See Note 16)         |                 |                                 | (455,002)                               |
| Net position, January 1 (restated)            |                 |                                 | 4,528,059                               |
|   |                 |                                 | <hr/>                                   |
| Net position, December 31                     |                 |                                 | \$ 4,611,002                            |
|   |                 |                                 | <hr/> <hr/>                             |

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2015**

|  | <u>General Fund</u> | <u>Capital<br/>Projects Fund</u> | <u>Totals</u><br><u>December 31,</u><br><u>2015</u> |
|--|---------------------|----------------------------------|---|
| Assets:  |                     |                                  |   |
| Current assets:  |                     |                                  |   |
| Cash   | \$ 1,033,911        | \$ 1,749,352                     | \$ 2,783,263  |
| Other receivables  | 161,873             | -                                | 161,873   |
| Total assets   | <u>1,195,784</u>    | <u>1,749,352</u>                 | <u>2,945,136</u>                                    |
| Liabilities, equity and other credits:   |                     |                                  |   |
| Accounts payable   | 3,430               | 6,302                            | 9,732   |
| Payroll deductions payable   | 2,613               | -                                | 2,613   |
| Other payables   | -                   | 161,873                          | 161,873   |
| Total liabilities  | <u>6,043</u>        | <u>168,175</u>                   | <u>174,218</u>                                      |
| Fund balances:   |                     |                                  |   |
| Restricted for:  |                     |                                  |   |
| Capital  | -                   | 1,311,567                        | 1,311,567   |
| Assigned for:  |                     |                                  |   |
| Other purposes   | 52,835              | 269,610                          | 322,445   |
| Unassigned, reported in:   |                     |                                  |   |
| General fund   | 1,136,906           | -                                | 1,136,906   |
| Total fund balance   | <u>1,189,741</u>    | <u>1,581,177</u>                 | <u>2,770,918</u>                                    |
| Total liabilities and fund balance   | <u>\$ 1,195,784</u> | <u>\$ 1,749,352</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.         |                     |                                  | 70,393  |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$5,884,143 and the accumulated depreciation is \$3,290,418. |                     |                                  | 2,594,377   |
| Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.   |                     |                                  | (8,984)   |
| Accrued PERS pension payable is not recorded in financial statements of governmental funds.  |                     |                                  | (16,439)  |
| Long-term liabilities, including net pension liability and bonds payable, are not due and payable in the current period and are therefore not reported as liabilities in the funds.                            |                     |                                  | <u>(799,263)</u>                                    |
|  |                     |                                  | <u>\$ 4,611,002</u>                                 |

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



**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the year ended December 31, 2015**

|  | <u>General Fund</u> | <u>Capital<br/>Projects Fund</u> | <u>Totals<br/>December 31,<br/>2015</u> |
|--|---------------------|----------------------------------|---|
| Revenues:  |                     |                                  |   |
| Miscellaneous anticipated revenue:                         |                     |                                  |   |
| Investment income  | \$ 3,502            | \$ 2,624                         | \$ 6,126                                |
| Other revenue  | 50                  | -                                | 50                                      |
| Total miscellaneous revenues                               | <u>3,552</u>        | <u>2,624</u>                     | <u>6,176</u>                            |
| Operating grant revenues:                                  |                     |                                  |   |
| Supplemental fire service act                              | 9,486               | -                                | 9,486                                   |
| Total operating grant revenue                              | <u>9,486</u>        | <u>-</u>                         | <u>9,486</u>                            |
| Miscellaneous revenues offset with appropriations:         |                     |                                  |   |
| Uniform fire safety act revenues:                          |                     |                                  |   |
| Annual registration fee                                    | 104,374             | -                                | 104,374                                 |
| Penalties and fines  | 11,230              | -                                | 11,230                                  |
| Other revenues   | 73,993              | -                                | 73,993                                  |
| Total uniform fire safety act revenues                     | <u>189,597</u>      | <u>-</u>                         | <u>189,597</u>                          |
| Total miscellaneous revenues<br>offset with appropriations | <u>189,597</u>      | <u>-</u>                         | <u>189,597</u>                          |
| Total revenues   | <u>202,635</u>      | <u>2,624</u>                     | <u>205,259</u>                          |
| Amount raised by taxation to support<br>district budget    | <u>1,042,000</u>    | <u>400,000</u>                   | <u>1,442,000</u>                        |
| Total anticipated revenues                                 | <u>1,244,635</u>    | <u>402,624</u>                   | <u>1,647,259</u>                        |
| Expenditures:  |                     |                                  |   |
| Operating appropriations:                                  |                     |                                  |   |
| Administration:  |                     |                                  |   |
| Salaries and wages   | 85,457              | -                                | 85,457                                  |
| Fringe benefits  | 54,509              | -                                | 54,509                                  |
| Other expenditures:  |                     |                                  |   |
| Professional fees  | 30,144              | -                                | 30,144                                  |
| Elections  | 3,463               | -                                | 3,463                                   |
| Utilities  | 7,265               | -                                | 7,265                                   |
| Office supplies  | 30,257              | -                                | 30,257                                  |
| Total administration                                       | <u>211,095</u>      | <u>-</u>                         | <u>211,095</u>                          |
| Cost of operations and maintenance:                        |                     |                                  |   |
| Other expenditures:  |                     |                                  |   |
| Rental charges   | 120,346             | -                                | 120,346                                 |
| Insurance  | 130,367             | -                                | 130,367                                 |
| Advertising  | 9,329               | -                                | 9,329                                   |
| Training and education                                     | 31,048              | -                                | 31,048                                  |
| Uniforms   | 19,983              | -                                | 19,983                                  |
| Maintenance and repairs                                    | 174,373             | -                                | 174,373                                 |
| Fire protection services                                   | 168,627             | -                                | 168,627                                 |
| Other non-bondable assets                                  | 182,811             | -                                | 182,811                                 |
| Total cost of operations and maintenance                   | <u>836,884</u>      | <u>-</u>                         | <u>836,884</u>                          |

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the year ended December 31, 2015**

|  | <u>General Fund</u> | <u>Capital<br/>Projects Fund</u> | <u>Totals<br/>(Memorandum Only)<br/>December 31,<br/>2015</u> |
|--|---------------------|----------------------------------|---|
| Operating appropriations offset with revenues:         |                     |                                  |   |
| Salaries and wages                                     | 124,513             | -                                | 124,513   |
| Fringe benefits  | 71,095              | -                                | 71,095  |
| Other expenditures                                     | 38,942              | -                                | 38,942  |
| Total operating appropriations<br>offset with revenues | <u>234,550</u>      | <u>-</u>                         | <u>234,550</u>  |
| Length of service award program                        | 98,714              | -                                | 98,714  |
| Total operating appropriations                         | <u>1,381,243</u>    | <u>-</u>                         | <u>1,381,243</u>  |
| Capital expenditures:                                  |                     |                                  |   |
| Vehicles   | -                   | 502,299                          | 502,299   |
| Total capital expenditures                             | <u>-</u>            | <u>502,299</u>                   | <u>502,299</u>  |
| Total governmental expenditures                        | <u>1,381,243</u>    | <u>502,299</u>                   | <u>1,883,542</u>  |
| Excess of revenues over expenditures                   | (136,608)           | (99,675)                         | (236,283)   |
| Fund balance, January 1                                | <u>1,326,349</u>    | <u>1,680,852</u>                 | <u>3,007,201</u>  |
| Fund balance, December 31                              | <u>\$ 1,189,741</u> | <u>\$ 1,581,177</u>              | <u>\$ 2,770,918</u>   |

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures and Changes in Fund Balance in**  
**the Governmental Funds to the Statement of Activities**  
**December 31, 2015**

Total net changes in Fund Balance-Governmental Funds (B-2) \$ (236,283)

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-Capital Project Fund | 502,299          |         |
| Capital Outlays-General Fund         | 82,341           |         |
| Depreciation Expense                 | <u>(277,293)</u> | 307,347 |

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.

|              |               |       |
|--------------|---------------|-------|
| Prior year   | (71,385)      |       |
| Current year | <u>70,393</u> | (992) |

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

|  |                 |     |
|--|-----------------|-----|
| Pension expense - PERS contribution - 2015 | 15,204          |     |
| Pension expense                            | <u>(14,855)</u> | 349 |

In the statement of activities, LOSAP benefits are measured by the amount that is to be provided for accrued plan benefits. In the governmental fund, however, expenditures for these items are reported in the amount of financial resources used, essentially, the amounts actually paid. This year the change to be provided for accrued plan benefits was \$11,906. 11,906

In the statement of activities, certain operating expenses, e.g., compensated absences (sick leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used, essentially, the amounts actually paid. This year, the increase in sick leave paid was \$616. 616

Changes in net position of governmental activities \$ 82,943

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**December 31, 2015**

|                                     | <b><u>Length of<br/>Service Award<br/>Program</u></b> | <b><u>Unemployment<br/>Compensation</u></b> | <b><u>Totals</u></b><br><b>December 31,<br/>2015</b> |
|-------------------------------------|---|---|--|
| Assets:                             |   |   |  |
| Cash                                | \$ -  | \$ 80,483                                   | \$ 80,483  |
| Investments                         | 974,934   | -   | 974,934  |
| Total assets                        | <u>974,934</u>  | <u>80,483</u>                               | <u>1,055,417</u>                                     |
| Net position:                       |   |   |  |
| Reserved:                           |   |   |  |
| For unemployment claims             | -   | 80,483                                      | 80,483   |
| For Length of Service Award Program | <u>974,934</u>  | <u>-</u>                                    | <u>974,934</u>                                       |
| Total net position                  | <u>\$ 974,934</u>                                     | <u>\$ 80,483</u>                            | <u>\$ 1,055,417</u>                                  |

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the year ended December 31, 2015**

|  | <b>Length of<br/>Service Award<br/>Program</b> | <b>Unemployment<br/>Compensation</b> | <b>Totals<br/>December 31,<br/>2015</b> |
|--|--|--------------------------------------|---|
| Revenues and other financing sources:                            |  |                                      |   |
| Employee contributions   | \$ -   | \$ 302                               | \$ 302                                  |
| District contributions   | 98,714   | 6,688                                | 105,402                                 |
| Rollover and other contributions                                 | 4,423  | -                                    | 4,423                                   |
| Total contributions  | <u>103,137</u>                                 | <u>6,990</u>                         | <u>110,127</u>                          |
| Investment earnings:   |  |                                      |   |
| Interest   | 26,403   | 75                                   | 26,478                                  |
| Total investment earnings  | <u>26,403</u>                                  | <u>75</u>                            | <u>26,478</u>                           |
| Total revenues and other financing sources                       | <u>129,540</u>                                 | <u>7,065</u>                         | <u>136,605</u>                          |
| Expenditures:  |  |                                      |   |
| Withdrawals and administrative fees                              | 47,424   | -                                    | 47,424                                  |
| Total expenditures   | <u>47,424</u>                                  | <u>-</u>                             | <u>47,424</u>                           |
| Excess of revenues and other financing sources over expenditures | 82,116   | 7,065                                | 89,181                                  |
| Net position, January 1  | <u>892,818</u>                                 | <u>73,418</u>                        | <u>966,236</u>                          |
| Net position, December 31  | <u><u>974,934</u></u>                          | <u><u>80,483</u></u>                 | <u><u>1,055,417</u></u>                 |

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements**  
**For the year ended December 31, 2015**

**NOTE 1: GENERAL INFORMATION**

**A. Description of Reporting Entity**

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

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

Fire District No. 3 of the Township of Old Bridge is not a component unit of any other financial reporting entity nor does the Fire District have any component units to be presented in accordance with Governmental Accounting Standards Board Statement No. 14.

**B. District Officials**

The District is governed by a board of five commissioners. The following were in office at December 31, 2015:

| <u>Officials</u>       | <u>Term Expires</u><br><u>March</u> |
|------------------------|-------------------------------------|
| Bertus A. Shelters, IV | 2016                                |
| Chester T. Hammel      | 2018                                |
| Gary Filik             | 2018                                |
| Kenneth R. Totten      | 2017                                |
| Martin F. Ruane        | 2016                                |

**C. Accounting Records**

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

**D. Minutes**

Minutes were recorded for meetings and contained approvals for disbursements.

**E. Component Units**

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

**NOTE 1: GENERAL INFORMATION (continued)**

**E. Component Units (continued)**

- ◆ 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

Based on the aforementioned criteria, the District has no component units.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

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

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

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

**B. Fund Accounting**

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

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

**B. Fund Accounting (continued)**

Governmental Funds:

*General Fund*

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

*Capital Projects Fund*

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

Fiduciary Funds:

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

*Trust and Agency Fund*

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

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues



**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

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

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

are reported instead as general revenues. The District does not allocate general government (indirect) expenses to other functions.

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

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

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

*Fund Financial Statements*

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

**D. Basis of Accounting**

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

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

In its accounting and financial reporting, the Fire District No. 3 of the Township of Old Bridge follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB).

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

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

**E. Budgets and Budgetary Accounting**

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

The fire commissioners must introduce and adopt the annual budget no later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the Fire District. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the fire commissioners may, by majority vote, adopt the budget.

Amendments may be made to the Fire District budget in accordance with N.J.S.A 40A: 14-78.3.

Subsequent to the adoption of the Fire District budget, the amount of money to be raised by taxation in support of the Fire District budget must appear on the ballot for the annual election for approval of the legal voters.

Fire Districts have a prescribed budgetary basis to demonstrate legal compliance. However, budgets are adopted on principally the same basis of accounting utilized for the preparation of the Fire Districts general-purpose financial statements.

**F. Encumbrances**

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

Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current year-end. The encumbrances at December 31, 2015 totaled \$52,835 in the general fund and \$269,610 in the capital projects fund.

**G. Cash, Cash Equivalents and Investments**

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

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

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

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

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. Inventories and Prepaid Expenses**

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

**I. Debt Limitation**

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

**J. Capital Assets**

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

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

|                            |                |
|----------------------------|----------------|
| Buildings and Improvements | 10 to 25 years |
| Equipment                  | 5 to 20 years  |
| Vehicles                   | 5 to 25 years  |

**K. Inventory, Materials and Supplies**

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

**L. Interfund Receivable/Payable**

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

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

**M. Compensated Absences**

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

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

**N. Revenues and Expenditures**

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

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

**O. Fire District Taxes**

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

**P. Deferred Outflows and Deferred Inflows of Resources**

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

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

**Q. Pensions Section**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

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

**Q. Pensions Section (continued)**

position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**R. Fund Equity**

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

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

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

**S. Net Position**

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

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

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

**T. Use of Estimates**

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

**U. Impact of Recently Issued Accounting Principles**

Adopted Accounting Pronouncements

For the year ended December 31, 2015, the District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* – (Amendment to GASB Statement No. 27) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of the Statements requires the District to report as an asset and/or a liability its portion of the collective net pension's asset and liability of the New Jersey Public Employees' Retirement System (PERS). The implementation of the Statements also requires the District to report a deferred outflow and/or inflow for the effect of the net change in the District's proportion of the collective net pension asset and/or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

Also included as a deferred outflow is the District contributions to the pension system subsequent to the measurement date.

Recently Issued and Adopted Accounting Pronouncements

The District has adopted and implemented all current standards of the Governmental Accounting Standards Board (GASB) that are applicable as of December 31, 2015.

GASB has issued Statement No. 72, *Fair Value Measurement and Application*, effective for the year ending June 30, 2016

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*, effective for the year ending June 30, 2018. 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.

GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending June 30, 2016.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

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

**V. Unrealized Gains and Losses**

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

**W. Fair Value Measurement**

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

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

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

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

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

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

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

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, 2015.

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

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

**W. Subsequent Events**

The District has evaluated subsequent events through April 30, 2016, the date the financial statements were available to be issued.

**NOTE 3: CASH**

The Fire District is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2015, and reported at fair value are as follows:

**Deposits:**

|                 |                     |
|-----------------|---------------------|
| Demand deposits | \$ <u>2,863,746</u> |
| Total deposits  | \$ <u>2,863,746</u> |

**Reconciliation to Governmental Fund Statements:**

|                    |                     |
|--------------------|---------------------|
| Governmental Funds | \$ 2,783,263        |
| Fiduciary Funds    | <u>80,483</u>       |
| Total              | <u>\$ 2,863,746</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, 2015, the District's bank balance of \$2,878,282 was insured or collateralized as follows:

|  |                     |
|--|---------------------|
| Insured  | \$ 250,000          |
| Collateralized in the District's name<br>under GUDPA | <u>2,628,282</u>    |
| Total  | <u>\$ 2,878,282</u> |

**NOTE 4: INVESTMENTS**

**A. Custodial Credit Risk**

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



**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

**NOTE 4: INVESTMENTS (continued)**

**B. Investment Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Fire District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**C. Investment Credit Risk**

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

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

The following table sets forth by level, within the value hierarchy, the District's assets at fair value at December 31, 2015.

| <i>Assets at Fair Value as of December 31, 2015</i> |                |                |                   |                   |
|---|----------------|----------------|-------------------|-------------------|
|   | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u>    | <u>Total</u>      |
| Fiduciary Funds:                                    |                |                |                   |                   |
| Fixed Account Investment Contract                   | \$ -           | \$ -           | \$ 974,934        | \$ 974,934        |
| Total assets at fair value                          | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 974,934</u> | <u>\$ 974,934</u> |

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

**NOTE 4: INVESTMENTS (continued)**

**C. Investment Credit Risk**

**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, 2015.

|   | <b>Level III Assets Year Ended</b> |
|---|------------------------------------|
|   | <b><u>12/31/15</u></b>             |
| Balance, beginning of year                        | \$ 794,894                         |
| Purchases, sales, issuances and settlements (net) | 153,637                            |
| Gains & (Losses)                                  | <u>26,403</u>                      |
| Balance, end of year                              | <u>\$ 974,934</u>                  |

**NOTE 5: CAPITAL ASSETS**

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

Fixed assets consisted of the following at December 31, 2015:

|  | <b><u>Beginning</u></b> | <b><u>Additions</u></b> | <b><u>Deletions</u></b> | <b><u>Ending</u></b>  |
|--|-------------------------|-------------------------|-------------------------|-----------------------|
|  | <b><u>Balance</u></b>   |                         |                         | <b><u>Balance</u></b> |
| Governmental Activities:   |                         |                         |                         |                       |
| Capital assets that are not being depreciated:                         |                         |                         |                         |                       |
| Apparatus in progress  | \$ -                    | \$ 404,695              | \$ -                    | \$ 404,695            |
| Total capital assets not being depreciated                             | <u>-</u>                | <u>404,695</u>          | <u>-</u>                | <u>404,695</u>        |
| Buildings and improvements   | 566,355                 | -                       | -                       | 566,355               |
| Vehicles   | 4,122,772               | -                       | -                       | 4,122,772             |
| Equipment  | 611,028                 | 179,945                 | -                       | 790,973               |
| Totals at historical cost  | <u>5,300,155</u>        | <u>179,945</u>          | <u>-</u>                | <u>5,480,100</u>      |
| Less: accumulated depreciation   |                         |                         |                         |                       |
| Buildings and improvements   | (311,041)               | (24,703)                | -                       | (335,744)             |
| Vehicles   | (2,406,933)             | (175,742)               | -                       | (2,582,675)           |
| Equipment  | (295,151)               | (76,848)                | -                       | (371,999)             |
| Total accumulated depreciation   | <u>(3,013,125)</u>      | <u>(277,293)</u>        | <u>-</u>                | <u>(3,290,418)</u>    |
| Total capital assets being depreciated net of accumulated depreciation | <u>2,287,030</u>        | <u>(97,348)</u>         | <u>-</u>                | <u>2,189,682</u>      |
| Government activities capital assets, net                              | <u>\$ 2,287,030</u>     | <u>\$ 307,347</u>       | <u>\$ -</u>             | <u>\$ 2,594,377</u>   |

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

**NOTE 6: PENSION OBLIGATIONS**

**A. Public Employees' Retirement System (PERS)**

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

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

| Tier | Definition   |
|------|--|
| 1    | Members who were enrolled prior to July 1, 2007  |
| 2    | Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008 |
| 3    | Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010 |
| 4    | Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011    |
| 5    | Members who were eligible to enroll on or after June 28, 2011                              |

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**Allocation Methodology and Reconciliation to Financial Statements** - GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, requires participating employers in the New Jersey Public Employees' Retirement System (PERS) to recognize their proportionate share of the collective net pension liability, collective deferred outflows and inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented and applied are based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2014 through June 30, 2015. The employer allocation percentages have been rounded for presentation purposes, therefore amounts may result in immaterial differences. Contributions from employers are recognized when due, based on statutory requirements.

**Contributions** - The contribution policy for PERS is set by *N.J.S.A. 15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability.

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

**NOTE 6: PENSION OBLIGATIONS (continued)**

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

Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015 and 2014, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

**Three-Year Trend Information for PERS**

| <u>Year</u><br><u>Funding</u> | <u>Pension</u><br><u>Cost (APC)</u> | <u>Percentage</u><br><u>of APC</u><br><u>Contributed</u> | <u>Net</u><br><u>Pension</u><br><u>Obligation</u> |
|-------------------------------|-------------------------------------|--|---|
| 12/31/2015                    | \$ 15,204                           | 100%   | \$ 429,230  |
| 12/31/2014                    | \$ 14,622                           | 100%   | \$ 345,300  |
| 12/31/2013                    | \$ 17,446                           | 100%   | \$ 452,841  |

**Components of Net Pension Liability** - At December 31, 2015, the District reported a liability of \$429,230 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. 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, 2015. The District's proportion measured as of June 30, 2015, was .00191%, which was an increase of .00007% from its proportion measured as of June 30, 2014.

Collective Balances at December 31, 2015 and December 31, 2014

|  | <u>12/31/2015</u><br>July 1, 2014 | <u>12/31/2014</u><br>July 1, 2013 |
|--|-----------------------------------|-----------------------------------|
| Actuarial valuation date                                     |                                   |                                   |
| Deferred Outflows of Resources                               | \$ 67,110                         | \$ 26,062                         |
| Deferred Inflows of Resources                                | \$ 76,094                         | \$ 105,356                        |
| Net Pension Liability  | \$ 429,230                        | \$ 345,300                        |
| District's portion of the Plan's total net pension Liability | 0.00191%                          | 0.00184%                          |

**Pension Expense and Deferred Outflows/Inflows of Resources** - For the year ended December 31, 2015, the District recognized pension expense of \$(349). At December 31, 2015, the

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

**NOTE 6: PENSION OBLIGATIONS (continued)**

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

District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Changes of assumptions  | \$ 46,096                                 | \$ -                                     |
| Net difference between expected and actual experience   | 10,240                                    | -  |
| Net difference between projected and actual earnings on pension plan investments                              | -   | 6,901                                    |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 10,774                                    | 69,193                                   |
| Total   | \$ 67,110                                 | \$ 76,094                                |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30:</u> | <u>PERS</u> |
|----------------------------|-------------|
| 2016                       | \$ (4,123)  |
| 2017                       | (4,123)     |
| 2018                       | (4,123)     |
| 2019                       | 1,021       |
| 2020                       | 2,365       |
| Thereafter                 | -           |

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

**NOTE 6: PENSION OBLIGATIONS (continued)**

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

|                           | <u>PERS</u>   |
|---------------------------|---|
| Measurement date          | June 30, 2015   |
| Actuarial valuation date  | July 1, 2014  |
| Investment rate of return | 7.90%   |
| Salary increases:         | 2012-2021 - 2.15-4.40%<br>based on age<br>Thereafter - 3.15-5.40%<br>based on age |
| Inflation rate            | 3.04%   |

Mortality rates were based on the RP-2000 Combined Healthy Male or Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**Long-Term Expected Rate of Return** - In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

**NOTE 6: PENSION OBLIGATIONS (continued)**

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

| <u>Asset Class</u>          | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| Cash                        | 5.00%                    | 1.04%   |
| U.S. Treasuries             | 1.75%                    | 1.64%   |
| Investment Grade Credit     | 10.00%                   | 1.79%   |
| Mortgages                   | 2.10%                    | 1.62%   |
| High Yield Bonds            | 2.00%                    | 4.03%   |
| Inflation-Indexed Bonds     | 1.50%                    | 3.25%   |
| Broad US Equities           | 27.25%                   | 8.52%   |
| Developed Foreign Equities  | 12.00%                   | 6.88%   |
| Emerging Market Equities    | 6.40%                    | 10.00%  |
| Private Equity              | 9.25%                    | 12.41%  |
| Hedge Funds/Absolute Return | 12.00%                   | 4.72%   |
| Real Estate (Property)      | 2.00%                    | 6.83%   |
| Commodities                 | 1.00%                    | 5.32%   |
| Global Debt ex US           | 3.50%                    | -0.40%  |
| REIT                        | 4.25%                    | 5.12%   |
| Total                       | <u>100%</u>              |   |

**Discount Rate** - The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rates and that contributions from employers will be made on the average of the last five years of contributions made in relation to the last five years of recommended 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 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, 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 (3.90%) or 1-percentage-point higher (5.90%) than the current rate:

| 1%<br><u>Decrease</u><br><u>(3.90%)</u>                        | Current<br><u>Discount</u><br><u>Rate (4.90%)</u> | 1%<br><u>Increase</u><br><u>(5.90%)</u> |
|--|---|---|
| District's proportionate share of<br>the net pension liability | \$ 533,480  | \$ 341,827                              |

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

**NOTE 7: NONCURRENT LIABILITIES**

During the fiscal year ended December 31, 2015 the following changes occurred in liabilities reported in long-term debt:

|                       | <u>Balance</u><br><u>12/31/14</u> | <u>Accrued/</u><br><u>increases</u> | <u>Retired/</u><br><u>decreases</u> | <u>Balance</u><br><u>12/31/15</u> | <u>Due within</u><br><u>one year</u> |
|-----------------------|-----------------------------------|-------------------------------------|-------------------------------------|-----------------------------------|--------------------------------------|
| Unfunded LOSAP        | \$ 374,698                        | \$ -                                | \$ (11,906)                         | \$ 362,792                        | \$ -                                 |
| Compensated absences  | 7,857                             | -                                   | (616)                               | 7,241                             | -                                    |
| Net pension liability | <u>345,300</u>                    | <u>83,930</u>                       | <u>-</u>                            | <u>429,230</u>                    | <u>-</u>                             |
| Total                 | <u>\$ 727,855</u>                 | <u>\$ 83,930</u>                    | <u>\$ (12,522)</u>                  | <u>\$ 799,263</u>                 | <u>\$ -</u>                          |

**NOTE 8: VESTED EMPLOYEE BENEFITS**

In accordance with GASB-16 and NCGA-1 (Governmental Accounting and Financial Reporting Principles), the portion of estimated future payments for compensated absences that will use current expendable resources is reported as a current fund liability in the governmental activities fund and the balance of the liability is reported as non-current liability in the governmental activities fund. For the year ended December 31, 2015, the District did not have a current liability for compensated absences. The amounts included in the long-term liabilities consists of the following:

|                            |             |
|----------------------------|-------------|
|                            | <u>2015</u> |
| Total Compensated Absences | \$ 7,241    |

**NOTE 9: DEFERRED COMPENSATION PLAN**

The Township of Old Bridge Fire District No. 3 Deferred Compensation Plan was established pursuant to section 457 of the Internal Revenue Code and in accordance with Applicable New Jersey Statutes and the New Jersey Administrative Code *N.J.A.C. 5:37*. The plan is an arrangement whereby a public employer may establish a plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more of the types of investments permitted under governing regulations. The plan is offered by the District through the program administrators the Variable Annuity Life Insurance Company.

All monies deferred and any other assets or income of the plan funds held in trust, or one or more annuity contracts or one or more custodial accounts are for the exclusive benefit of the participating employees and their beneficiaries.

**NOTE 10: LENGTH OF SERVICE AWARDS PROGRAM**

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

The District has a contractual obligation to pay the LOSAP benefits to eligible members. Assets that are designated to pay the LOSAP benefits are available to the unsecured creditors of the District. As such, the assets and liabilities of the LOSAP are included in the financial statements of the District as an agency fund.



**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

**NOTE 10: LENGTH OF SERVICE AWARDS PROGRAM (continued)**

The actuarial present value of accrued plan benefits is determined by an actuary from JIF Actuarial Services, Inc. and is the amount that results from applying actuarial assumptions to adjust the accrued plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations as of March 31, 2013 were (a) life expectancy of participants, (b) retirement (entitlement) age assumptions (the assumed average entitlement age was 65), and (c) investment return. The 2014 valuations included assumed interest rates of 5%. The forgoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accrued plan benefits.

The assets of the plan are invested in a fixed-income Group Annuity Contract with Hartford Life Insurance Company under which Hartford pools funds invested for various Length of Service Awards Program customers along with funds in MassMutual Financial Group’s general account. Interest income is provided at an average rate of return of approximately 3.75% for 2015 and there is a guaranteed minimum return of 3%.

As of December 31, 2015, the present value of accrued LOSAP benefits was \$1,337,726, of which \$974,934 was funded and the remaining portion of \$362,792 was unfunded.

**NOTE 11: INTERFUND RECEIVABLE/PAYABLE**

As of December 31, 2015, the following interfund balances remained on the balance sheet:

| <u>Fund</u> | <u>Interfund<br/>Receivable</u> | <u>Interfund<br/>Payable</u> |
|-------------|---------------------------------|------------------------------|
| General     | \$ 161,873                      | \$ -                         |
| Capital     | -                               | <u>161,873</u>               |
| Total       | <u>\$ 161,873</u>               | <u>\$ 161,873</u>            |

The purpose of these interfunds are for short-term borrowing. Interfund receivables are recorded as other receivables. Interfund payables are recorded as other payables.

**NOTE 12: FUNDING**

The activities of the Board of Commissioners are primarily funded by the striking of the fire tax on the property owners of the Fire District, as provided for by the state statute. For the year ended December 31, 2015, the fire tax rate on the Fire District No. 3 was approximately \$.083 per \$100 of assessed valuation.

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

**NOTE 13: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

**A. Property and Liability Insurance**

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

**B. New Jersey Unemployment Compensation Insurance**

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

| <u>Fiscal Year</u> | <u>Interest Earned</u> | <u>District Contributions</u> | <u>Employee Contributions</u> | <u>Amount Reimbursed</u> | <u>Ending Balance</u> |
|--------------------|------------------------|-------------------------------|-------------------------------|--------------------------|-----------------------|
| 12/31/15           | \$ 75                  | \$ 6,688                      | \$ 302                        | \$ -                     | \$ 80,483             |
| 12/31/14           | 67                     | 6,800                         | 302                           | 302                      | 73,418                |
| 12/31/13           | 59                     | 6,057                         | 431                           | 266                      | 66,551                |

**NOTE 14: POST-RETIREMENT BENEFITS**

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

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

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

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2015**

**NOTE 15: FUND BALANCE**

**General Fund** – Of the \$1,189,741 General Fund fund balance at December 31, 2015, \$52,835 has been assigned for other purposes; and \$1,136,906 is unassigned.

**Capital Projects Fund** – Of the \$1,581,177 Capital Projects Fund fund balance at December 31, 2015, \$1,311,167 is restricted for Capital and \$269,610 is assigned for other purposes.

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

**NOTE 16: PRIOR PERIOD ADJUSTMENT/RESTATEMENT OF NET POSITION**

Net position as of January 1, 2015, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

|   |    | <u>Governmental<br/>Activities</u> |
|---|----|------------------------------------|
| Net Position as previously reported at December 31, 2014        | \$ | 4,983,061                          |
| Prior period adjustment -                                       |    |                                    |
| Implementation of GASB 68:                                      |    |                                    |
| Net Pension Liability (measurement date as of June 30, 2014)    |    | (345,300)                          |
| PERS Pension Payable (2015 Authority PERS Pension Contribution) |    | (15,204)                           |
| Deferred Outflows (measurement date as of June 30, 2014)        |    | 10,858                             |
| Deferred Inflows (measurement date as of June 30, 2014)         |    | (105,356)                          |
| Total prior period adjustment                                   |    | <u>(455,002)</u>                   |
| Net Position as restated, January 1, 2015                       | \$ | <u>4,528,059</u>                   |

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Budgetary Comparison Schedule**  
**For the year ended December 31, 2015**

|  | <u>Original<br/>Budget</u> | <u>Modified<br/>Budget</u> | <u>Actual<br/>Budgetary<br/>Basis</u> | <u>Variance</u> |
|--|----------------------------|----------------------------|---------------------------------------|-----------------|
| Revenues:  |                            |                            |                                       |                 |
| Miscellaneous anticipated revenue:                         |                            |                            |                                       |                 |
| Investment income  | \$ 2,000                   | \$ 2,000                   | 6,126                                 | 4,126           |
| Other revenue  | -                          | -                          | 50                                    | 50              |
| Total miscellaneous revenues                               | <u>2,000</u>               | <u>2,000</u>               | <u>6,176</u>                          | <u>4,176</u>    |
| Operating grant revenues:                                  |                            |                            |                                       |                 |
| Supplemental fire service act                              | <u>9,000</u>               | <u>9,000</u>               | <u>9,486</u>                          | <u>486</u>      |
| Total operating grant revenue                              | <u>9,000</u>               | <u>9,000</u>               | <u>9,486</u>                          | <u>486</u>      |
| Miscellaneous revenues offset with appropriations:         |                            |                            |                                       |                 |
| Uniform fire safety act revenues:                          |                            |                            |                                       |                 |
| Annual registration fee                                    | 61,223                     | 61,223                     | 104,374                               | 43,151          |
| Penalties and fines  | 3,500                      | 3,500                      | 11,230                                | 7,730           |
| Other revenues   | <u>60,000</u>              | <u>60,000</u>              | <u>73,993</u>                         | <u>13,993</u>   |
| Total uniform fire safety act revenues                     | <u>124,723</u>             | <u>124,723</u>             | <u>189,597</u>                        | <u>64,874</u>   |
| Total miscellaneous revenues<br>offset with appropriations | <u>124,723</u>             | <u>124,723</u>             | <u>189,597</u>                        | <u>64,874</u>   |
| Total revenues   | <u>135,723</u>             | <u>135,723</u>             | <u>205,259</u>                        | <u>69,536</u>   |
| Amount raised by taxation to support<br>district budget    | <u>1,442,000</u>           | <u>1,442,000</u>           | <u>1,442,000</u>                      | <u>-</u>        |
| Total anticipated revenues                                 | <u>1,577,723</u>           | <u>1,577,723</u>           | <u>1,647,259</u>                      | <u>69,536</u>   |
| Expenditures:  |                            |                            |                                       |                 |
| Operating appropriations:                                  |                            |                            |                                       |                 |
| Administration:  |                            |                            |                                       |                 |
| Salaries and wages   | 90,987                     | 90,987                     | 85,457                                | 5,530           |
| Fringe benefits  | 49,927                     | 52,927                     | 54,509                                | (1,582)         |
| Other expenditures:  |                            |                            |                                       |                 |
| Professional fees  | 30,000                     | 38,000                     | 30,144                                | 7,856           |
| Elections  | 7,000                      | 7,000                      | 3,463                                 | 3,537           |
| Utilities  | 16,000                     | 16,000                     | 7,265                                 | 8,735           |
| Office supplies  | <u>65,000</u>              | <u>65,000</u>              | <u>30,257</u>                         | <u>34,743</u>   |
| Total administration                                       | <u>258,914</u>             | <u>269,914</u>             | <u>211,095</u>                        | <u>58,819</u>   |

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

**FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE**  
**Budgetary Comparison Schedule**  
**For the year ended December 31, 2015**

|  | <u>Original<br/>Budget</u> | <u>Modified<br/>Budget</u> | <u>Actual<br/>Budgetary<br/>Basis</u> | <u>Variance</u>   |
|--|----------------------------|----------------------------|---------------------------------------|-------------------|
| Cost of operations and maintenance:                          |                            |                            |                                       |                   |
| Other expenditures:  |                            |                            |                                       |                   |
| Rental charges   | 120,346                    | 120,346                    | 120,346                               | -                 |
| Insurance  | 150,000                    | 150,000                    | 130,367                               | 19,633            |
| Advertising  | 9,000                      | 12,000                     | 9,329                                 | 2,671             |
| Training and education                                       | 43,650                     | 43,650                     | 31,048                                | 12,602            |
| Uniforms   | 48,735                     | 48,735                     | 19,983                                | 28,752            |
| Maintenance and repairs                                      | 175,500                    | 177,500                    | 174,373                               | 3,127             |
| Fire protection services                                     | 168,809                    | 168,809                    | 168,627                               | 182               |
| Contingencies  | 100                        | 100                        | -                                     | 100               |
| Other non-bondable assets                                    | 76,623                     | 189,738                    | 182,811                               | 6,927             |
| Total cost of operations and maintenance                     | <u>792,763</u>             | <u>910,878</u>             | <u>836,884</u>                        | <u>73,994</u>     |
| Operating appropriations offset with revenues:               |                            |                            |                                       |                   |
| Salaries and wages   | 131,231                    | 131,231                    | 124,513                               | 6,718             |
| Fringe benefits  | 90,564                     | 87,564                     | 71,095                                | 16,469            |
| Other expenditures   | 44,900                     | 44,900                     | 38,942                                | 5,958             |
| Total operating appropriations<br>offset with revenues       | <u>266,695</u>             | <u>263,695</u>             | <u>234,550</u>                        | <u>29,145</u>     |
| Length of service award program                              | 105,000                    | 105,000                    | 98,714                                | 6,286             |
| Capital appropriations                                       | <u>850,000</u>             | <u>850,000</u>             | <u>502,299</u>                        | <u>347,701</u>    |
| Total operating appropriations                               | <u>2,273,372</u>           | <u>2,399,487</u>           | <u>1,883,542</u>                      | <u>515,945</u>    |
| Excess (efficiency) of revenues<br>over (under) expenditures | (695,649)                  | (821,764)                  | (236,283)                             | 585,481           |
| Fund balance, January 1                                      | <u>3,007,201</u>           | <u>3,007,201</u>           | <u>3,007,201</u>                      | <u>-</u>          |
| Fund balance, December 31                                    | <u>\$ 2,311,552</u>        | <u>\$ 2,185,437</u>        | <u>\$ 2,770,918</u>                   | <u>\$ 585,481</u> |

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

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

|   | 2015       | 2014       | 2013       |
|---|------------|------------|------------|
| District's proportion of the net pension liability (asset)  | 0.19121%   | 0.00184%   | 0.00237%   |
| District's proportionate share of the net pension liability (asset)   | \$ 429,230 | \$ 345,300 | \$ 452,841 |
| District's covered-employee payroll   | \$ 175,254 | \$ 131,194 | \$ 139,882 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 244.92%    | 263.20%    | 13.35%     |
| Plan fiduciary net position as a percentage of the total pension liability  | 48.62%     | 52.08%     | 42.74%     |

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

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

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

|  | <u>2015</u>   | <u>2014</u>   | <u>2013</u>   |
|--|---------------|---------------|---------------|
| Contractually required contribution                                  | \$ 16,439     | \$ 15,204     | \$ 16,857     |
| Contributions in relation to the contractually required contribution | <u>16,439</u> | <u>15,204</u> | <u>16,857</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   |
| District's covered-employee payroll                                  | \$ 175,254    | \$ 131,194    | \$ 139,882    |
| Contributions as a percentage of covered-employee payroll            | 9%            | 12%           | 12%           |

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

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

**Fire District No. 3 of the Township of Old Bridge**  
**Notes to the Required Supplementary Information**  
**For the year ended December 31, 2015**

**Public Employees' Retirement System (PERS)**

**Basis of Presentation.** The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. The numbers were derived in a report provided by KPMG dated April 14, 2016. The full report is available by the State of New Jersey, Division of Pension and Benefits. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

**Changes of benefit terms.** The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

**Changes of assumptions.** Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.





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

We have audited the basic financial statements of the Fire District No. 3 of the Township of Old Bridge, County of Middlesex, State of New Jersey for the year ended December 31, 2015. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

### GENERAL COMMENTS

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

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

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

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

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

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

#### **Contracts and Agreements Requiring Solicitation of Quotations**

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

The minutes do not indicate quotes were obtained for any services.

### ***General Ledger***

The general ledger was complete with the required journal entries.

### **Finding 2015-001:**

During our review of the general ledger, it was noted that the District's records were not in balance. Additionally, the ledger was not reconciled to the prior year's audit report.

### **Recommendation:**

The District must properly maintain a complete and accurate general ledger.

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

This finding will be corrected in the year ended December 31, 2016.

### **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.

### **Property, Plant & Equipment**

During our review of the District's fixed assets, we noted the following:

### **Finding 2015-002:**

Upon review of the rental and fire protection agreement with South Old Bridge Volunteer Fire Company, we noted that a signed contract has not been executed since 1999. The District has been renewing the service contract at the reorganization meeting without updating written terms and formalizing agreements.

### **Recommendation:**

We recommend that a formal agreement be executed on an annual basis.

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

This finding will be corrected in the year ended December 31, 2016.

### **Follow-up on Prior Years' Findings**

In accordance with *Government Auditing Standards* we have included a review of prior year findings.

## **Acknowledgment**

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

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

Should you have any questions, please contact us.

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

April 30, 2016  
Toms River, New Jersey