

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

Financial Statements

For the year ended December 31, 2016

(With Independent Auditor's Report thereon)

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Financial Statements
For the year ended December 31, 2016
(With Independent Auditor's Report thereon)

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INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District No. 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion, analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability – 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 May 15, 2017, 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

May 15, 2017
Toms River, New Jersey



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

Board of Fire Commissioners
Fire District No. 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, 2016, 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 May 15, 2017.

Internal Control Over Financial Reporting

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

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the general comments and recommendations to be a significant deficiencies as finding 2016-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fire District No. 3 of the Township of Old Bridge's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs State of New Jersey and which are described in the comments and recommendations as item 2016-01.

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

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

Purpose of this Report

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

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

May 15, 2017
Toms River, New Jersey

**TOWNSHIP OF OLD BRIDGE FIRE DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
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, 2016. 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 2016 are as follows:

In total, net position decreased \$57,727 from 2016.

General revenues accounted for \$1,503,162 or 86.83 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$227,993 or 11.51 percent of total revenues of \$1,731,155.

Total assets of governmental activities increased by \$354,344 as cash and cash equivalents increased by \$122,369, prepaid expenses increased \$7,087, net capital assets decreased by \$34,586 and deferred outflows of resources increased \$259,474.

The District had \$1,788,882 in expenses; only \$227,993 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$1,503,162 and fund balance were adequate to provide for these programs.

Among governmental funds, the General Fund had \$1,528,155 in revenues and \$1,313,198 in expenditures. The General Fund's fund balance increased \$214,957 over 2015.

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 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"> •Statement of net assets •Statement of activities 	<ul style="list-style-type: none"> •Balance sheet •Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> •Statement of fiduciary net assets •Statement of changes in fiduciary net assets
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 2016?" 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 Change 2015-2016
	2016	2015	
Current and Other Assets	\$ 2,983,112	\$ 2,853,656	4.54%
Capital Assets	2,559,791	2,594,377	-1.33%
Total Assets	\$ 5,542,903	\$ 5,448,033	1.74%
Deferred Outflows of Resources	326,584	67,110	386.64%
Total Deferred Outflows of Resources	\$ 326,584	\$ 67,110	386.64%
Long-Term Liabilities	\$ 1,247,341	\$ 815,702	52.92%
Other Liabilities	15,262	12,345	23.63%
Total Liabilities	\$ 1,262,603	\$ 828,047	52.48%
Deferred Inflows of Resources	53,609	76,094	100.00%
Total Deferred Inflows of Resources	\$ 53,609	\$ 76,094	100.00%
Net Position:			
Invested in capital assets, net of related debt	\$ 2,559,791	\$ 2,594,377	-1.33%
Restricted	1,556,518	1,634,012	-4.74%
Unrestricted	436,966	382,613	14.21%
Total Net Position	\$ 4,553,275	\$ 4,611,002	-1.25%

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

	Governmental Activities		Percentage Change 2015-2016
	2016	2015	
REVENUES:			
Program Revenues:			
Charges for Services	\$ 227,993	\$ 189,597	20.25%
General Revenues:			
Property Taxes	1,473,253	1,442,000	2.17%
State Formula Aid	9,486	9,486	0.00%
Other	20,423	6,176	230.68%
Total Revenues	\$ 1,731,155	\$ 1,647,259	5.09%
EXPENSES:			
Administration	\$ 217,560	\$ 193,541	12.41%
Cost of Operations and Maintenance	1,129,241	958,707	17.79%
Operating Appropriations Offset with Revenues	252,601	219,474	15.09%
Length of Services Award Program	189,480	130,284	45.44%
Total Expenses	\$ 1,788,882	\$ 1,502,006	19.10%
Increase (Decrease) in Net Position	\$ (57,727)	\$ 145,253	-139.74%

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 85.10% of revenues for governmental activities for Township of Old Bridge Fire District No. 3 for 2016. The District's total revenues were \$1,731,155 for the year ended December 31, 2016. Charges for services accounted for 13.17% of revenue, state aid accounted for another 0.55% of revenue, other miscellaneous revenue accounted for the remaining 1.18%.

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 of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
Administration	\$ 217,560	\$ 217,560	\$ 210,479	\$ 210,479
Cost of Operations and Maintenance	1,129,241	901,248	1,032,479	842,882
Operating Appropriations Offset with Revenues	252,601	252,601	234,550	234,550
Interest	-	-	-	-
Length of Service Awards Program	189,480	189,480	86,808	86,808
Total Expenses	\$ 1,788,882	\$ 1,560,889	\$ 1,564,316	\$ 1,374,719

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 \$1,731,155, expenditures were \$1,611,703. The change in fund balance for the year in the general fund was an increase of \$119,452 and a decrease of \$95,505 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, 2016, 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>2016</u>	<u>2015</u>	Increase (Decrease) from 2015	Percent of Increase (Decrease)
Local Sources:				
Miscellaneous Revenue	\$ 20,423	\$ 3,552	\$ 16,871	474.97%
Revenues Offset with Appropriations	227,993	189,597	38,396	20.25%
Amount to be Raised by Taxation	1,270,253	1,042,000	228,253	21.91%
State Sources	9,486	9,486	-	0.00%
Total	\$ 1,528,155	\$ 1,244,635	\$ 283,520	22.78%

The following schedule presents a summary of General Fund expenditures for the year ended December 31, 2016 and the increases and decreases in relation to prior year amounts.

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

<u>Expenditures:</u>	<u>2016</u>	<u>2015</u>	Increase (Decrease) from 2015	Percent of Increase (Decrease)
Administration	\$ 216,538	\$ 211,095	\$ 5,443	2.58%
Cost of Operations and Maintenance	740,948	836,884	(95,936)	-11.46%
Operating Appropriations Offset Revenues	252,601	234,550	18,051	7.70%
Length of Service Award Program	103,111	98,714	4,397	4.45%
Total	\$ 1,313,198	\$ 1,381,243	\$ (68,045)	-4.93%

Capital Assets

At the end of the year 2016, the District had \$6,128,674 invested in buildings, furniture and equipment, and vehicles. Table 6 shows 2016 balances compared to 2015.

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

	Governmental Activities		Increase (Decrease) from 2015	Percent of Increase (Decrease)
	<u>2016</u>	<u>2015</u>		
Apparatus in Progress	\$ -	\$ 404,695	\$ (404,695)	100.00%
Buildings and Building Improvements	206,255	230,611	(24,356)	-10.56%
Vehicles	1,363,184	1,540,097	(176,913)	-11.49%
Equipment	990,352	418,974	571,378	136.38%
Total	\$ 2,559,791	\$ 2,594,377	\$ (34,586)	-1.33%

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, 2016

	Governmental Activities
	<u>2016</u>
Assets:	
Current assets:	
Cash	\$ 2,905,632
Prepaid expenses	77,480
Total current assets	2,983,112
Capital assets (net of depreciation)	2,559,791
Total assets	5,542,903
Deferred outflows of resources:	
Deferred outflows related to pensions	326,584
Total deferred outflows of resources	326,584
Total assets and deferred outflows of resources	5,869,487
Liabilities:	
Current liabilities:	
Accounts payable	7,707
Payroll deductions payable	7,555
Pension payable	16,439
Other payables	-
Total current liabilities	31,701
Non-current liabilities:	
Unfunded LOSAP obligation	449,161
Compensated absences	8,263
Net pension liability	773,478
Total non-current liabilities	1,230,902
Total liabilities	1,262,603
Deferred inflows of resources:	
Deferred inflows related to pensions	53,609
Total deferred inflows of resources	53,609
Total liabilities and deferred inflows of resources	1,316,212
Net position:	
Net investment in capital assets	2,559,791
Restricted net position:	
Capital	1,471,600
Unrestricted net position:	
Undesignated	521,884
Total net position	\$ 4,553,275

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, 2016

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities 2016</u>
Government activities:			
Operation appropriations:			
Administration	\$ 217,560	\$ -	\$ 217,560
Costs of operations and maintenance	1,129,241	227,993	901,248
Operating appropriations offset with revenues	252,601	-	252,601
Length of service award contribution	189,480	-	189,480
	<hr/>	<hr/>	<hr/>
Total government activities	1,788,882	227,993	1,560,889
General revenues:			
Miscellaneous revenue			20,423
Operating grant revenues			9,486
Amount raised by taxation			1,473,253
			<hr/>
Total general revenues			1,503,162
Change in net position			(57,727)
Net position, January 1			4,611,002
			<hr/>
Net position, December 31			\$ 4,553,275
			<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, 2016

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u> <u>December 31,</u> <u>2016</u>
Assets:			
Current assets:			
Cash	\$ 893,705	\$ 2,011,927	\$ 2,905,632
Other receivables	526,255	-	526,255
Total assets	<u>1,419,960</u>	<u>2,011,927</u>	<u>3,431,887</u>
Liabilities, equity and other credits:			
Accounts payable	7,707		7,707
Payroll deductions payable	7,555	-	7,555
Other payables	-	526,255	526,255
Total liabilities	<u>15,262</u>	<u>526,255</u>	<u>541,517</u>
Fund balances:			
Restricted for:			
Capital	-	771,600	771,600
Subsequent year's expenditures - capital	-	700,000	700,000
Assigned for:			
Subsequent year's expenditures	75,000	-	75,000
Other purposes	70,846	14,072	84,918
Unassigned, reported in:			
General fund	<u>1,258,852</u>	<u>-</u>	<u>1,258,852</u>
Total fund balance	<u>1,404,698</u>	<u>1,485,672</u>	<u>2,890,370</u>
Total liabilities and fund balance	<u>\$ 1,419,960</u>	<u>\$ 2,011,927</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.	77,480
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$6,128,674 and the accumulated depreciation is \$3,568,883.	2,559,791
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.	272,975
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>(1,230,902)</u>
	<u>\$ 4,553,275</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, 2016

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals December 31, 2016</u>
Revenues:			
Miscellaneous anticipated revenue:			
Investment income	\$ 15,199	\$ -	\$ 15,199
Other revenue	5,224	-	5,224
Total miscellaneous revenues	20,423	-	20,423
Operating grant revenues:			
Supplemental fire service act	9,486	-	9,486
Total operating grant revenue	9,486	-	9,486
Miscellaneous revenues offset with appropriations:			
Uniform fire safety act revenues:			
Annual registration fee	129,622	-	129,622
Penalties and fines	8,862	-	8,862
Other revenues	89,509	-	89,509
Total uniform fire safety act revenues	227,993	-	227,993
Total miscellaneous revenues offset with appropriations	227,993	-	227,993
Total revenues	257,902	-	257,902
Amount raised by taxation to support district budget	1,270,253	203,000	1,473,253
Total anticipated revenues	1,528,155	203,000	1,731,155
Expenditures:			
Operating appropriations:			
Administration:			
Salaries and wages	87,541	-	87,541
Fringe benefits	54,422	-	54,422
Other expenditures:			
Professional fees	33,681	-	33,681
Elections	3,418	-	3,418
Utilities	8,768	-	8,768
Office supplies	28,708	-	28,708
Total administration	216,538	-	216,538
Cost of operations and maintenance:			
Other expenditures:			
Rental charges	122,753	-	122,753
Insurance	151,108	-	151,108
Advertising	6,082	-	6,082
Training and education	33,569	-	33,569
Uniforms	38,008	-	38,008
Maintenance and repairs	152,449	-	152,449
Fire protection services	172,185	-	172,185
Other non-bondable assets	64,728	-	64,728
Total cost of operations and maintenance	740,948	-	740,948

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, 2016

	Totals		
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>December 31, 2016</u>
Operating appropriations offset with revenues:			
Salaries and wages	143,615	-	143,615
Fringe benefits	90,091	-	90,091
Other expenditures	18,895	-	18,895
Total operating appropriations offset with revenues	<u>252,601</u>	<u>-</u>	<u>252,601</u>
Length of service award program	<u>103,111</u>	<u>-</u>	<u>103,111</u>
Total operating appropriations	<u>1,313,198</u>	<u>-</u>	<u>1,313,198</u>
Capital expenditures:			
Vehicles	<u>-</u>	<u>298,505</u>	<u>298,505</u>
Total capital expenditures	<u>-</u>	<u>298,505</u>	<u>298,505</u>
Total governmental expenditures	<u>1,313,198</u>	<u>298,505</u>	<u>1,611,703</u>
Excess of revenues over expenditures	214,957	(95,505)	119,452
Fund balance, January 1	<u>1,189,741</u>	<u>1,581,177</u>	<u>2,770,918</u>
Fund balance, December 31	<u>\$ 1,404,698</u>	<u>\$ 1,485,672</u>	<u>\$ 2,890,370</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, 2016

Total net changes in Fund Balance-Governmental Funds (B-2) \$ 119,452

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	243,879		
Depreciation Expense	<u>(278,465)</u>		(34,586)

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	(70,393)	
	Current year	<u>77,480</u>	7,087

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 - 2016	16,439		
Pension expense	<u>(78,728)</u>		(62,289)

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. (86,369)

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. (1,022)

Changes in net position of governmental activities \$ (57,727)

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2016

	<u>Length of Service Award Program</u>	<u>Unemployment Compensation</u>	<u>Totals</u> <u>December 31,</u> <u>2016</u>
Assets:			
Cash	\$ -	\$ 85,932	\$ 85,932
Investments	1,062,074	-	1,062,074
Total assets	<u>1,062,074</u>	<u>85,932</u>	<u>1,148,006</u>
Net position:			
Reserved:			
For unemployment claims	-	85,932	85,932
For Length of Service Award Program	1,062,074	-	1,062,074
Total net position	<u>\$ 1,062,074</u>	<u>\$ 85,932</u>	<u>\$ 1,148,006</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, 2016

	Length of Service Award Program	Unemployment Compensation	Totals December 31, 2016
Revenues and other financing sources:			
Employee contributions	\$ -	\$ 364	\$ 364
District contributions	103,111	5,003	108,114
Total contributions	<u>103,111</u>	<u>5,367</u>	<u>108,478</u>
Investment earnings:			
Interest	28,973	82	29,055
Total investment earnings	<u>28,973</u>	<u>82</u>	<u>29,055</u>
Total revenues and other financing sources	<u>132,084</u>	<u>5,449</u>	<u>137,533</u>
Expenditures:			
Withdrawals and administrative fees	44,944	-	44,944
Total expenditures	<u>44,944</u>	<u>-</u>	<u>44,944</u>
Excess of revenues and other financing sources over expenditures	87,140	5,449	92,589
Net position, January 1	<u>974,934</u>	<u>80,483</u>	<u>1,055,417</u>
Net position, December 31	<u><u>1,062,074</u></u>	<u><u>85,932</u></u>	<u><u>1,148,006</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, 2016

NOTE 1: GENERAL INFORMATION

A. Description of Reporting Entity

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

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

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

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

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

B. District Officials

The District is governed by a board of five commissioners. The following were in office at December 31, 2016:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
Bertus A. Shelters, IV	2019
Chester T. Hammel	2018
Gary Filik	2018
Kenneth R. Totten	2017
Martin F. Ruane	2019

C. Accounting Records

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 1: GENERAL INFORMATION (continued)

D. Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

E. Component Units

GASB Statement No.14, The Financial Reporting Entity, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units and GASB Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34. The District had no component units as of for the year ended December 31, 2016.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

The basic financial statements report using the economic resources measurement focus and the accrual basis of accounting generally includes the reclassification or elimination of internal activity (between or within funds). Fiduciary fund financial statements also report using the same focus. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. The tax revenues are recognized in the year for which they are levied (see Note 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, 2016

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, 2016

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, 2016

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, 2016 totaled \$70,846 in the general fund and \$14,072 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, 2016

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, 2016

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, 2016

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, 2016

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, 2016, the District implemented GASB Statement No. 72, *Fair Value Measurement and Application*. As a result of implementing this statement, the District is required to measure certain investments at fair value for financial reporting purposes. In addition, the District is required to measure donated capital assets at acquisition value (an entry price); these assets were previously required to be measured at fair value. Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Implementation of this Statement did not impact the District's financial statements.

The District implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Implementation of this Statement did not impact the District's financial statements.

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

Recently Issued and Adopted Accounting Pronouncements

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

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the District's financial statements.

Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57,

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U. Impact of Recently Issued Accounting Principles

OPEB Measurements by Agency Employers and Agent Multi-Employer Plans, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the District's financial statements.

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the District's financial statements.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the District's financial statements.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the District's financial statements.

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

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

Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the District's financial statements.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2016

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, 2016.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

W. Subsequent Events

The District has evaluated subsequent events through May 15, 2017, 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, 2016, and reported at fair value are as follows:

Deposits:

Demand deposits	\$ <u>2,991,564</u>
Total deposits	\$ <u>2,991,564</u>

Reconciliation to Governmental Fund Statements:

Governmental Funds	\$ 2,905,632
Fiduciary Funds	<u>85,932</u>
Total	\$ <u>2,991,564</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2016, the District's bank balance of \$2,815,955 was insured or collateralized as follows:

Insured	\$ 500,000
Collateralized in the District's name under GUDPA	<u>2,315,995</u>
Total	\$ <u>2,815,995</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, 2016

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, 2016.

<i>Assets at Fair Value as of December 31, 2016</i>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fiduciary Funds:				
Fixed Account Investment Contract	\$ -	\$ -	\$ 1,062,074	\$ 1,062,074
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,062,074</u>	<u>\$ 1,062,074</u>

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 4: INVESTMENTS (continued)

C. Investment Credit Risk

Level III Gains and Losses

The following table sets forth a summary of changes in the fair value of the LOSAP's Level III assets for the year ended December 31, 2016.

	Level III Assets Year Ended
	<u>12/31/16</u>
Balance, beginning of year	\$ 974,934
Purchases, sales, issuances and settlements (net)	58,167
Gains & (Losses)	<u>28,973</u>
Balance, end of year	<u>\$ 1,062,074</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, 2016:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Ending</u>
	<u>Balance</u>			<u>Balance</u>
Governmental Activities:				
Capital assets that are not being depreciated:				
Apparatus in progress	\$ 404,695	\$ -	\$ (404,695)	\$ -
Total capital assets not being depreciated	<u>404,695</u>	<u>-</u>	<u>(404,695)</u>	<u>-</u>
Buildings and improvements	566,355	-	-	566,355
Vehicles	4,122,772	-	-	4,122,772
Equipment	790,973	648,574	-	1,439,547
Totals at historical cost	<u>5,480,100</u>	<u>648,574</u>	<u>-</u>	<u>6,128,674</u>
Less: accumulated depreciation				
Buildings and improvements	(335,744)	(24,356)	-	(360,100)
Vehicles	(2,582,675)	(176,913)	-	(2,759,588)
Equipment	(371,999)	(77,196)	-	(449,195)
Total accumulated depreciation	<u>(3,290,418)</u>	<u>(278,465)</u>	<u>-</u>	<u>(3,568,883)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>2,189,682</u>	<u>370,109</u>	<u>-</u>	<u>2,559,791</u>
Government activities capital assets, net	<u>\$ 2,594,377</u>	<u>\$ 370,109</u>	<u>\$ (404,695)</u>	<u>\$ 2,559,791</u>

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2016

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.

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

The following represents the membership tiers for PERS:

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

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

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

Contributions - The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2016, 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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 6: PENSION OBLIGATIONS (continued)

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

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.

Components of Net Pension Liability - At December 31, 2016, the District reported a liability of \$773,478 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The District's proportion measured as of June 30, 2016, was .00261%, which was an increase of .00070% from its proportion measured as of June 30, 2015.

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

	<u>12/31/2016</u>	<u>12/31/2015</u>
Actuarial valuation date (including roll forward)	June 30, 2016	June 30, 2015
Deferred Outflows of Resources	\$ 326,584	\$ 67,110
Deferred Inflows of Resources	\$ 53,609	\$ 76,094
Net Pension Liability	\$ 773,478	\$ 429,230
Authority's portion of the Plan's total net pension Liability	0.00261%	0.00191%

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended December 31, 2016, the District recognized pension expense of \$62,289. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 6: PENSION OBLIGATIONS (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>PERS</u>	<u>PERS</u>
Differences between Expected and Actual Experience	\$ 14,384	\$ -
Changes of Assumptions	160,223	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	29,493	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	122,484	53,609
	\$ 326,584	\$ 53,609

The \$326,584 reported as deferred outflows of resources and the \$53,609 reported as deferred inflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date (i.e. for the fiscal year ending December 31, 2016, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending Dec 31,	<u>PERS</u>
2017	\$ 53,970
2018	53,973
2019	59,115
2020	61,019
2021	44,898
	\$ 272,975

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 6: PENSION OBLIGATIONS (continued)

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

	PERS	
	Deferred Outflow of <u>Resources</u>	Deferred Inflow of <u>Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57

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, 2016

NOTE 6: PENSION OBLIGATIONS (continued)

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

	PERS
Inflation	3.08%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.65%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial	
Assumptions were Based	July 1, 2011 - June 30, 2014

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 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, 2016

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

Discount Rate - The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 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 (2.98%) or 1-percentage-point higher (4.98%) than the current rate:

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 6: PENSION OBLIGATIONS (continued)

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

	PERS		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Authority's Proportionate Share of the Net Pension Liability	\$ 947,807	\$ 773,478	\$ 629,555

NOTE 7: NONCURRENT LIABILITIES

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

	<u>Balance 12/31/15</u>	<u>Accrued/ increases</u>	<u>Retired/ decreases</u>	<u>Balance 12/31/16</u>	<u>Due within one year</u>
Unfunded LOSAP	\$ 362,792	\$ 86,369	\$ -	\$ 449,161	\$ -
Compensated absences	7,241	1,022	-	8,263	-
Net pension liability	<u>429,230</u>	<u>344,248</u>	<u>-</u>	<u>773,478</u>	<u>-</u>
Total	<u>\$ 799,263</u>	<u>\$ 431,639</u>	<u>\$ -</u>	<u>\$ 1,230,902</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, 2016, the District did not have a current liability for compensated absences. The amounts included in the long-term liabilities consists of the following:

	<u>2016</u>
Total Compensated Absences	\$ 8,263

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.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 9: DEFERRED COMPENSATION PLAN (continued)

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.

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, 2016, the present value of accrued LOSAP benefits was \$1,510,300 of which \$1,061,139 was funded and the remaining portion of \$449,161 was unfunded.

NOTE 11: INTERFUND RECEIVABLE/PAYABLE

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

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 526,255	\$ -
Capital	-	526,255
Total	<u>\$ 526,255</u>	<u>\$ 526,255</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.

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE

Notes to Financial Statements (continued)

For the year ended December 31, 2016

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, 2016, the fire tax rate on the Fire District No. 3 was approximately \$.084 per \$100 of assessed valuation.

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

NOTE 13: RISK MANAGEMENT

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

A. Property and Liability Insurance

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

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>
12/31/16	\$ 82	\$ 5,003	\$ 364	\$ -	\$ 85,932
12/31/15	75	6,688	302	-	80,483
12/31/14	67	6,800	302	302	73,418

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Notes to Financial Statements (continued)
For the year ended December 31, 2016

NOTE 14: POST-RETIREMENT BENEFITS (continued)

the SHBP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

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

NOTE 15: FUND BALANCE

General Fund – Of the \$1,404,698 General Fund fund balance at December 31, 2016, \$70,486 has been assigned for other purposes, 75,000 has been assigned for subsequent year's expenditures; and \$1,258,852 is unassigned.

Capital Projects Fund – Of the \$1,485,672 Capital Projects Fund fund balance at December 31, 2016, \$771,600 is restricted for Capital, \$700,000 is restricted for subsequent year's expenditures and \$14,072 is assigned for other purposes.

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

FIRE DISTRICT NO. 3 OF THE TOWNSHIP OF OLD BRIDGE
Budgetary Comparison Schedule
For the year ended December 31, 2016

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 2,000	\$ 2,000	15,199	13,199
Other revenue	-	-	5,224	5,224
Total miscellaneous revenues	<u>2,000</u>	<u>2,000</u>	<u>20,423</u>	<u>18,423</u>
Operating grant revenues:				
Supplemental fire service act	<u>9,486</u>	<u>9,486</u>	<u>9,486</u>	<u>-</u>
Total operating grant revenue	<u>9,486</u>	<u>9,486</u>	<u>9,486</u>	<u>-</u>
Miscellaneous revenues offset with appropriations:				
Uniform fire safety act revenues:				
Annual registration fee	61,223	61,223	129,622	68,399
Penalties and fines	3,500	3,500	8,862	5,362
Other revenues	<u>115,000</u>	<u>115,000</u>	<u>89,509</u>	<u>(25,491)</u>
Total uniform fire safety act revenues	<u>179,723</u>	<u>179,723</u>	<u>227,993</u>	<u>48,270</u>
Total miscellaneous revenues offset with appropriations	<u>179,723</u>	<u>179,723</u>	<u>227,993</u>	<u>48,270</u>
Total revenues	<u>191,209</u>	<u>191,209</u>	<u>257,902</u>	<u>66,693</u>
Amount raised by taxation to support district budget	<u>1,473,253</u>	<u>1,473,253</u>	<u>1,473,253</u>	<u>-</u>
Total anticipated revenues	<u>1,664,462</u>	<u>1,664,462</u>	<u>1,731,155</u>	<u>66,693</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	97,866	97,866	87,541	10,325
Fringe benefits	59,766	59,766	54,422	5,344
Other expenditures:				
Professional fees	35,000	38,000	33,681	4,319
Elections	7,000	7,000	3,418	3,582
Utilities	21,500	21,500	8,768	12,732
Office supplies	<u>60,000</u>	<u>60,000</u>	<u>28,708</u>	<u>31,292</u>
Total administration	<u>281,132</u>	<u>284,132</u>	<u>216,538</u>	<u>67,594</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, 2016

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Cost of operations and maintenance:				
Other expenditures:				
Rental charges	122,753	122,753	122,753	-
Insurance	150,000	151,200	151,108	92
Advertising	9,000	9,000	6,082	2,918
Training and education	43,650	43,650	33,569	10,081
Uniforms	46,735	46,735	38,008	8,727
Maintenance and repairs	219,000	204,800	152,449	52,351
Fire protection services	172,185	172,185	172,185	-
Contingencies	100	100	66	34
Other non-bondable assets	66,647	119,482	64,728	54,754
Total cost of operations and maintenance	<u>830,070</u>	<u>869,905</u>	<u>740,948</u>	<u>128,957</u>
Operating appropriations offset with revenues:				
Salaries and wages	138,149	138,149	143,615	(5,466)
Fringe benefits	58,711	68,711	90,091	(21,380)
Other expenditures	48,400	48,400	18,895	29,505
Total operating appropriations offset with revenues	<u>245,260</u>	<u>255,260</u>	<u>252,601</u>	<u>2,659</u>
Length of service award program	105,000	105,000	103,111	1,889
Capital appropriations	<u>203,000</u>	<u>472,610</u>	<u>298,505</u>	<u>174,105</u>
Total appropriations	<u>1,664,462</u>	<u>1,986,907</u>	<u>1,611,703</u>	<u>375,204</u>
Excess (efficiency) of revenues over (under) expenditures	-	(322,445)	119,452	441,897
Fund balance, January 1	<u>2,770,918</u>	<u>2,770,918</u>	<u>2,770,918</u>	<u>-</u>
Fund balance, December 31	<u>\$ 2,770,918</u>	<u>\$ 2,448,473</u>	<u>\$ 2,890,370</u>	<u>\$ 441,897</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 Four Fiscal Years

	2016	2015	2014	2013
District's proportion of the net pension liability (asset)	0.00261%	0.19121%	0.00184%	0.00237%
District's proportionate share of the net pension liability (asset)	\$ 773,478	\$ 429,230	\$ 345,300	\$ 452,841
District's covered-employee payroll	\$ 179,183	\$ 175,254	\$ 131,194	\$ 139,882
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	431.67%	244.92%	263.20%	13.35%
Plan fiduciary net position as a percentage of the total pension liability	40.14%	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 Four Fiscal Years

	2016	2015	2014	2013
Contractually required contribution	\$ 23,201	\$ 16,439	\$ 15,204	\$ 16,857
Contributions in relation to the contractually required contribution	23,201	16,439	15,204	16,857
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 179,183	\$ 175,254	\$ 131,194	\$ 139,882
Contributions as a percentage of covered-employee payroll	13%	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
December 31, 2016

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 6, 2017. 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. Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).



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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, 2016. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS

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

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

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

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

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

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

Contracts and Agreements Requiring Solicitation of Quotations

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

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

General Ledger

The general ledger was complete with the required journal entries.

Examination of Bills

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

Finding 2016-01:

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

Recommendation:

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

Management's Response:

This finding will be corrected in the fiscal year ending December 31, 2017.

Property, Plant & Equipment

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

Follow-up on Prior Years' Findings

In accordance with *Government Auditing Standards* we have included a review of prior year findings and a Corrective action plan was prepared and adopted.

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

May 15, 2017
Toms River, New Jersey