

**FIRE DISTRICT NO. 4  
OF THE TOWNSHIP OF JACKSON**

**Financial Statements**

**For the year ended December 31, 2017**

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
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**For the year ended December 31, 2017**  
**(With Independent Auditor's Report thereon)**

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## INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners  
Fire District No. 4 of the Township of Jackson  
County of Ocean  
Township of Jackson, New Jersey, 08527

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

We have audited the accompanying financial statements of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 4 of the Township of Jackson, County of Ocean, State of New Jersey, as of and for the fiscal year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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. 4 of the Township of Jackson, County of Ocean, State of New Jersey, as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

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

## **Emphasis of Matter**

### *Change in Accounting Principle*

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

## **Other Information**

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

The accompanying long-term debt schedule of obligations under capital leases is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting other records used to prepare the basic financial statements or to the basic financial statements themselves, and other

additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying long-term debt schedule of obligations under capital leases is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2018 on our consideration of the Fire District No. 4 of the Township of Jackson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fire District No. 4 of the Township of Jackson's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "HOLMAN FRENIA ALLISON PC". The signature is written in a cursive, slightly slanted style.

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

June 8, 2018  
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**

The Board of Commissioners of  
Fire District No. 4 of the Township of Jackson  
County of Ocean  
Township of Jackson, New Jersey, 08527

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 4 of the Township of Jackson, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Fire District No. 4 of the Township of Jackson’s basic financial statements, and have issued our report thereon dated June 8, 2018.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Fire District No. 4 of the Township of Jackson'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 one 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.

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "HOLMAN FRENIA ALLISON PC". The signature is written in a cursive, slightly slanted style.

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

June 8, 2018  
Toms River, New Jersey

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)**

As management of Fire District No. 4 of the Township of Jackson, we offer readers of the Fire District No. 4 of the Township of Jackson financial statements this narrative overview and analysis of the financial activities of the Fire District No. 4 of the Township of Jackson for the year ended December 31, 2017. The intent of this narrative is to look at Fire District No. 4 of the Township of Jackson's overall financial performance in terms easily understood by the lay person. Please read this in conjunction with the transmittal letters beginning on page 1 and the District's financial statements which begin on page 14. Notes to the financial statements will provide the reader with additional useful information and they begin on page 21.

**FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at December 31, 2017 by approximately \$2.77 million. In 2016 the excess was approximately \$2.84 million. This is a decrease of approximately \$67,500.
- During 2017 Fire District No. 4 of the Township of Jackson operated at a deficit of approximately \$67,500. The deficit in 2016 was approximately \$37,500. This is an increase of approximately \$30,000.
- The District increased their liabilities by approximately \$306,600 in 2017, and increased their assets by approximately \$239,100.
- As described in Note 15 to the financial statements, "Prior Period Adjustment/Restatement of Net Position", the District has adopted the provisions of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement No. 68*, for the year ended December 31, 2017. The adoption of this principle resulted in a restatement of the District's opening fund balance as January 1, 2017 in the amount of \$316,241 as indicated in Note 15 to the financial statements. Prior year balances reflected in the MD&A have been updated, for comparison purposes, to reflect the change where indicated.

**USING THIS ANNUAL REPORT**

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

**Reporting on the District as a Whole**

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

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



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

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

### **Fund Financial Statements**

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

### **Governmental Funds**

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

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

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

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

### **Fiduciary Funds**

Fiduciary funds are used to account for assets held by the District on behalf of outside third parties, or other funds within the District. The District has one type of fiduciary fund, which is the Payroll Agency which is used for the payment of wages and payroll liabilities.

### **Notes to Financial Statements**

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

## DISTRICT-WIDE FINANCIAL ANALYSIS

Fire District No. 4 of the Township of Jackson's net position is a useful indicator of the District's financial condition. At the end of 2017, the District's assets exceeded its liabilities by approximately \$2.77 million. The largest portion of Fire District No. 4 of the Township of Jackson's net position (65.0%) is its investment in capital assets. The District uses these assets to provide fire-fighting services to the community; consequently, these assets are not available for future spending. Fire District No. 4 of the Township of Jackson's investment in capital assets is reported net of related debt. Since the capital assets are not available to liquidate the debt, other sources must be utilized for the repayment of the debt. As of December 31, 2017 the District had no long term debt.

### Statement of Net Position

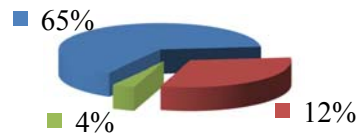
FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON  
NET POSITION  
DECEMBER 31, 2017

	2017	2016	\$ Increase (Decrease)	% Increase (Decrease)
Current and other assets	\$ 3,524,983	\$ 3,209,147	315,836	9.8%
Capital assets	<u>1,800,028</u>	<u>1,876,723</u>	(76,695)	(4.1%)
Total assets	5,325,011	5,085,870	239,141	4.7%
Total liabilities	<u>(2,557,011)</u>	<u>(2,250,386)</u>	(306,625)	13.6%
Net position	<u>\$ 2,768,000</u>	<u>\$ 2,835,484</u>	(67,484)	(2.4%)

### Analysis of net position

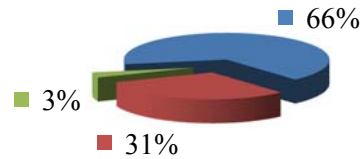
Invested in capital assets, net of related debt	\$ 1,800,028	\$ 1,876,723	(76,695)	(4.1%)
Restricted for:				
Capital projects	867,612	867,612	-	0.0%
Unrestricted	<u>100,360</u>	<u>91,149</u>	9,211	10.1%
Total net position	<u>\$ 2,768,000</u>	<u>\$ 2,835,484</u>	(67,484)	(2.4%)

### 2017 Net Position



- Invested in Net Assets
- Capital Projects
- Unrestricted

### 2016 Net Position



- Invested in Net Assets
- Capital Projects
- Unrestricted

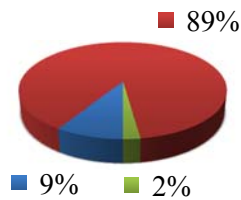
The net position of Fire District No. 4 of the Township of Jackson decreased approximately \$67,500 during the 2017 period. This decrease was due primarily to a deficit in the operating fund for 2017. The District added approximately \$89,000 of capital assets during the year. In 2017 the capital assets decreased by approximately \$76,700 after depreciation expense.

### Governmental Activities

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

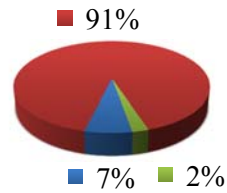
	2017	2016	\$ Increase (Decrease)	% Increase (Decrease)
<b>Expenses</b>				
<b>Program expenses</b>				
Administrative expenses	\$ 153,438	\$ 106,680	46,758	43.8%
Cost of operations and maintenance	1,515,199	1,481,572	33,627	2.3%
Length of service award contribution	<u>38,593</u>	<u>37,468</u>	1,125	3.0%
Total program expenses	<u>1,707,230</u>	<u>1,625,720</u>	81,510	5.0%

### 2017 Program Expenses



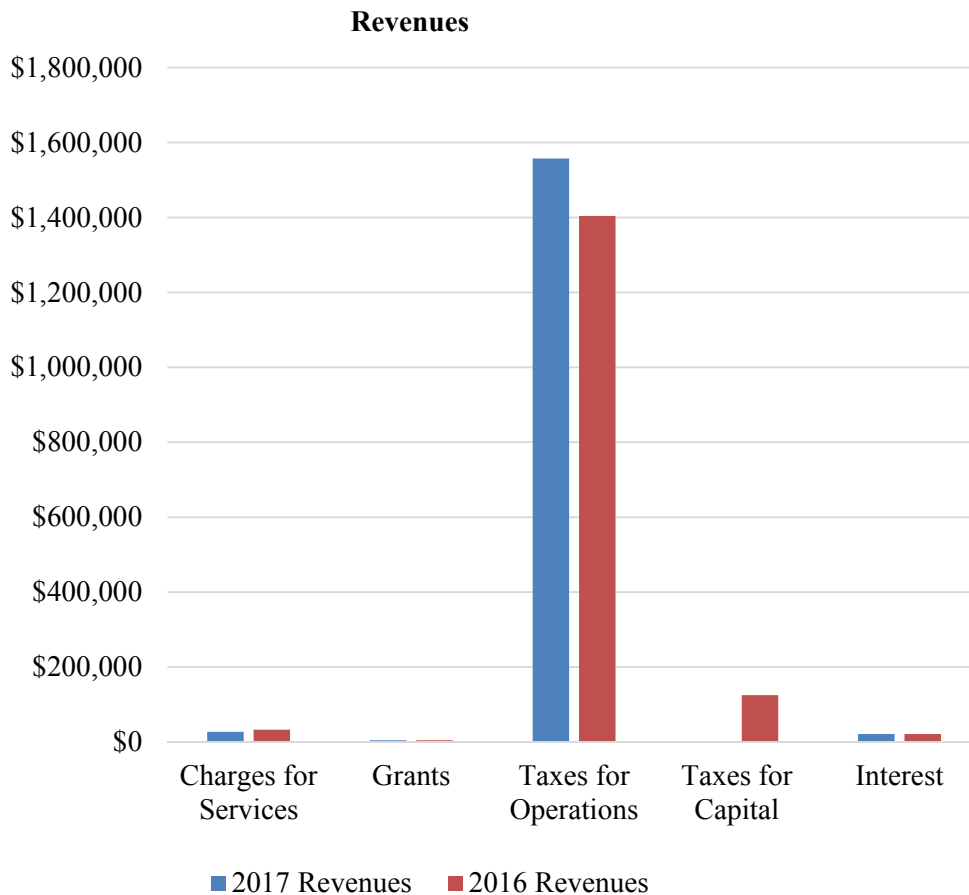
- Administrative
- Operations
- Length of Service Award Program

### 2016 Program Expenses



- Administrative
- Operations
- Length of Service Award Program

	2017	2016	\$ Increase (Decrease)	% Increase (Decrease)
<b>Revenues</b>				
Program revenues				
Charges for services	27,262	32,546	(5,284)	(16.2%)
Operating grants and contributions	<u>4,342</u>	<u>4,342</u>	-	0.0%
Total program revenues	<u>31,604</u>	<u>37,152</u>	(5,284)	(16.2%)
Net program expenses	<u>1,675,626</u>	<u>1,588,832</u>	(86,794)	(5.5%)
<b>General revenues</b>				
Property taxes levied for:				
General purposes	1,557,384	1,404,174	153,210	10.9%
Capital purchases	<u>-</u>	<u>125,000</u>	(125,000)	(100.0%)
Total property taxes levied	1,557,384	1,529,174	28,210	1.8%
Unrestricted investment earnings	20,976	21,363	(387)	(1.8%)
Miscellaneous revenue	<u>29,782</u>	<u>810</u>	28,972	3,576.8%
Total general revenues	<u>1,608,142</u>	<u>1,551,347</u>	56,795	3.7%
Decrease in net position	(67,484)	(37,485)	(29,999)	80.0%
Net position, January 1	<u>2,835,484</u>	<u>2,872,969</u>	(37,485)	(1.3%)
Net position, December 31	<u>\$ 2,768,000</u>	<u>\$ 2,835,484</u>	(67,484)	(2.4%)



Property tax revenue constituted 97% of the total governmental activities revenues received by Fire District No. 4 of the Township of Jackson in 2017. In 2016 the property tax revenue constituted 96% of total revenues.

The Cost of Operations & Maintenance was 89% and 91% of the District’s total expenses in 2017 and 2016 respectively. Administration expenses equaled 9% and 7% of the total expenses in 2017 and 2016 respectively.

**FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS**

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

**Government Fund**

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

As of December 31, 2017, the combined balance of the governmental cash and investment funds of Fire District No. 4 of the Township of Jackson was approximately \$2,390,400. This balance is approximately \$613,500 more than last year’s combined governmental funds balance. The increase is due primarily to the appropriation of capital funds for future capital purchases and from the excess of revenues over expenses.

The combined balance of the governmental funds of Fire District No. 4 of the Township of Jackson approximately \$2,691,500. Unreserved fund balances amounted to approximately \$1,336,200 of that total. The Commissioners designated \$143,000 of general funds for utilization in the 2018 budget.

The general fund is the main operating fund of Fire District No. 4 of the Township of Jackson. At the end of 2017, the total fund balance of the general fund was approximately \$1,823,900. Of this balance, approximately \$1,336,200 was unreserved.

During 2017 the general fund balance of Fire District No. 4 of the Township of Jackson increased by approximately \$510,300. The primary reasons for this increase are as follows:

- The Board expended less funds than they received in revenues by approximately \$194,000.
- A prior period adjustment for LOSAP of approximately \$316,200

At the end of 2017, the District had a capital projects fund balance of \$867,612.

### General Fund Budgetary Highlights

The District had total revenues in excess of expenditures of approximately \$194,000 in 2017, and a surplus in 2016 of \$202,400. The year ending December 31, 2018 is expected to generate a surplus also.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of December 31, 2017 Fire District No. 4 of the Township of Jackson had invested in capital assets for government activities of \$1,800,028 (net of accumulated depreciation). Capital assets consist of firehouse improvements, fire apparatus, fire equipment, and office equipment.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON  
CAPITAL ASSETS  
(NET OF ACCUMULATED DEPRECIATION)  
DECEMBER 31, 2017

	2017	2016	\$ Increase (Decrease)
Capital assets			
Building in progress	\$ 68,933	\$ 16,769	52,164
Equipment	600,771	563,902	36,869
Building and improvements	2,547,594	2,547,594	-
Trucks and vehicles	<u>2,616,262</u>	<u>2,616,262</u>	-
Total capital assets	5,833,560	5,744,527	89,033
Accumulated depreciation	<u>(4,033,532)</u>	<u>(3,867,804)</u>	(165,728)
Total capital assets, net	<u>\$ 1,800,028</u>	<u>\$ 1,876,723</u>	(76,695)

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

### Long-Term Obligations

The District had no long term debt at December 31, 2017.

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

In 2017, Fire District No. 4 of the Township of Jackson was able to cover all its appropriations through the fire tax levy and other revenues. In 2017 the fire tax levy amounted to 97% of total revenue collected.

Fire District No. 4 of the Township of Jackson adopted their 2018 budget on January 11, 2018. The voters subsequently voted to approve the budget at the February election. The 2018 adopted budget reflected an increase in the tax levy of \$18,756. The Board anticipates no significant change in the fire tax rate. It is projected that a family with a home assessed at \$250,000 will pay approximately \$170 in 2018 for fire protection.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Fire District No. 4 of the Township of Jackson's finances for all of those with an interest in the District's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Cheryl Parker, Fire District No. 4 of the Township of Jackson, 465A North County Line Road, Jackson, New Jersey, 08527.

EXHIBIT A-1

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON  
Statement of Net Position  
December 31, 2017

	<u>Governmental Activities</u>	
	<u>2017</u>	
Assets:		
Current assets:		
Cash (Note 3)	\$	1,219,713
Investments (Note 4)		1,170,705
Due from others (Note 5)		16,759
Other receivables		102,706
Prepaid expenses		23,258
Total current assets		<u>2,533,141</u>
Noncurrent assets:		
Investment in length of service award program (Note 4)		344,683
Total noncurrent assets		<u>344,683</u>
Capital assets, net:		
Depreciable (Note 6)		1,800,028
Total capital assets		<u>1,800,028</u>
Total assets		<u>4,677,852</u>
Deferred outflows of resources:		
Deferred outflows related to pensions (Note 9)		647,159
Total deferred outflows of resources		<u>647,159</u>
Total assets and deferred outflows of resources	\$	<u><u>5,325,011</u></u>
Liabilities:		
Current liabilities:		
Accounts payable	\$	19,452
Accrued professional fees		11,850
Accrued payroll		35,269
Accrued pension		96,532
Total current liabilities		<u>163,103</u>
Noncurrent liabilities:		
Compensated absences (Note 7)		78,215
Net pension liability (Note 7)		1,683,883
Investment in length of service award program payable (Note 7)		344,683
Total noncurrent liabilities		<u>2,106,781</u>
Total liabilities		<u>2,269,884</u>
Deferred inflows of resources:		
Deferred inflows related to pensions (Note 9)		287,127
Total deferred inflows of resources		<u>287,127</u>
Total liabilities and deferred inflows of resources		<u>2,557,011</u>
Net position:		
Net investment in capital assets		1,800,028
Restricted net position:		
Capital		867,612
Unreserved net position		100,360
Total net position		<u>2,768,000</u>
Total liabilities, deferred inflows of resources, and net position	\$	<u><u>5,325,011</u></u>

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



**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Statement of Activities**  
**For the year ended December 31, 2017**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities</u> <u>2017</u>
Government activities:			
Operation appropriations:			
Administration	\$ 153,438	\$ -	\$ (153,438)
Costs of operations and maintenance	1,515,199	27,262	(1,487,937)
Length of service award program	38,593	-	(38,593)
Total government activities	<u>1,707,230</u>	<u>27,262</u>	<u>(1,679,968)</u>
General revenues:			
Miscellaneous revenue			50,758
Operating grant revenues			4,342
Amount raised by taxation			<u>1,557,384</u>
Total general revenues			<u>1,612,484</u>
Change in net position			(67,484)
Net position, January 1			<u>2,835,484</u>
Net position, December 31			<u>\$ 2,768,000</u>

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2017**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>December 31, 2017</u>
<b>Assets:</b>			
<b>Current assets:</b>			
Cash	\$ 1,219,713	\$ -	\$ 1,219,713
Investments	-	1,170,705	1,170,705
Due from others	16,759	-	16,759
Other receivable	405,799	-	405,799
Total current assets	<u>1,642,271</u>	<u>1,170,705</u>	<u>2,812,976</u>
<b>Noncurrent assets:</b>			
Investment in length of service award program	<u>344,683</u>	-	<u>344,683</u>
Total noncurrent assets	<u>344,683</u>	-	<u>344,683</u>
Total assets	<u>\$ 1,986,954</u>	<u>\$ 1,170,705</u>	<u>\$ 3,157,659</u>
<b>Liabilities, equity and other credits:</b>			
Accounts payable	\$ 19,452	\$ -	\$ 19,452
Accrued professional fees	11,850	-	11,850
Accrued payroll	35,269	-	35,269
Accrued pension	96,532	-	96,532
Other payable	-	303,093	303,093
Total liabilities	<u>163,103</u>	<u>303,093</u>	<u>466,196</u>
<b>Fund balances</b>			
<b>Restricted for:</b>			
Capital	-	854,916	854,916
Investment in length of service award program	344,683	-	344,683
<b>Committed for:</b>			
Other purposes	-	12,696	12,696
<b>Assigned for:</b>			
Subsequent year's expenditures	143,000	-	143,000
<b>Unassigned, reported in:</b>			
General fund	<u>1,336,168</u>	-	<u>1,336,168</u>
Total fund balance	<u>1,823,851</u>	<u>867,612</u>	<u>2,691,463</u>
Total liabilities and fund balance	<u>\$ 1,986,954</u>	<u>\$ 1,170,705</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.	23,258
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.	360,032
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$5,833,559 and the accumulated depreciation is \$4,033,531.	1,800,028
Long-term liabilities, including net pension liability and length of service award program payable, are not due and payable in the current period and are therefore not reported as liabilities in the funds.	<u>(2,106,781)</u>
Net position of governmental activities	<u>\$ 2,768,000</u>

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the year ended December 31, 2017**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>December 31, 2017</u>
Revenues:			
Miscellaneous anticipated revenue:			
Annual registration fees	\$ 27,262	\$ -	\$ 27,262
Investment income - unrestricted cash and investments	20,976	-	20,976
Investment income - length of service award program	42,876	-	42,876
Other revenue	29,782	-	29,782
Total miscellaneous revenues	<u>120,896</u>	<u>-</u>	<u>120,896</u>
Operating grant revenues:			
Supplemental fire service act	4,342	-	4,342
Total operating grant revenue	<u>4,342</u>	<u>-</u>	<u>4,342</u>
Total revenues	<u>125,238</u>	<u>-</u>	<u>125,238</u>
Amount raised by taxation to support district budget	1,557,384	-	1,557,384
Total anticipated revenues	<u>1,682,622</u>	<u>-</u>	<u>1,682,622</u>
Expenditures:			
Operating appropriations:			
Administration:			
Salaries and wages	20,000	-	20,000
Other expenditures:			
Professional fees	123,206	-	123,206
Elections	2,244	-	2,244
Office supplies and postage	7,988	-	7,988
Total administration	<u>153,438</u>	<u>-</u>	<u>153,438</u>
Cost of operations and maintenance:			
Salaries and wages	480,792	-	480,792
Fringe benefits	236,182	-	236,182
Other expenditures:			
Rental charges	64,260	-	64,260
Gear	36,395	-	36,395
Supplies	17,916	-	17,916
Insurance	112,813	-	112,813
SCBA	15,282	-	15,282
Emergency First Aid equipment	686	-	686
Advertising	688	-	688
Fire prevention	2,536	-	2,536
Training and education	17,677	-	17,677

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

**EXHIBIT B-2  
(continued)**

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds (continued)  
For the year ended December 31, 2017**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>December 31, 2017</u>
Cost of operations and maintenance (continued)			
Utilities	64,627	-	64,627
Maintenance and repairs	94,318	-	94,318
Fire Service Agreement	50,000	-	50,000
Firefighter expenses	16,195	-	16,195
Other non-bondable assets	44,584	-	44,584
	<hr/>	<hr/>	<hr/>
Total cost of operations and maintenance	1,254,951	-	1,254,951
Operating appropriations offset with revenues:			
Salaries and wages	20,000	-	20,000
USFA supplies	7,154	-	7,154
	<hr/>	<hr/>	<hr/>
Total operating appropriations offset with revenues	27,154	-	27,154
Length of service award program			-
Administrative fees	1,430	-	1,430
Participant withdrawals	51,597	-	51,597
	<hr/>	<hr/>	<hr/>
Total length of service award program	53,027	-	53,027
Total operating appropriations	<hr/>	<hr/>	<hr/>
	1,488,570	-	1,488,570
Excess (efficiency) of revenues over (under) expenditures	<hr/>	<hr/>	<hr/>
	194,052	-	194,052
Fund balance, January 1, unadjusted	1,313,558	867,612	2,181,170
Prior period adjustment (Note 15)	316,241	-	316,241
	<hr/>	<hr/>	<hr/>
Fund balance, January 1, adjusted	1,629,799	867,612	2,497,411
Fund balance, December 31	<hr/> <u>\$ 1,823,851</u>	<hr/> <u>\$ 867,612</u>	<hr/> <u>\$ 2,691,463</u>

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures and Changes in Fund Balance in**  
**the Governmental Funds to the Statement of Activities**  
**December 31, 2017**

Total net changes in Fund Balance-Governmental Funds (B-2)	\$	194,052
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p>		
<p>Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital Outlays-General Fund	89,033	
Depreciation Expense	<u>(165,728)</u>	(76,695)
<p>Length of service award program contribution is not reported in governmental funds as expenditures. However, in the statement of net position, the expense is equal to the amount of contributions to the volunteers accounts as determined by the benefit terms. Change in value of LOSAP investments is not a revenue in the government wide financial statements as it is payable to the volunteers in accordance with the plan benefits.</p>		
District contribution to length of service award program	(38,593)	
Appreciation in fair value of investments	(42,876)	
Administrative fees	1,430	
Participant withdrawals	<u>51,597</u>	(28,442)
<p>District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.</p>		
Pension Expense - PERS Contribution - 2017	96,532	
Pension Expense	<u>(248,983)</u>	(152,451)
<p>Prepaid insurance is reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is expensed over the term of the policy as insurance expense.</p>		
Prior year	(16,511)	
Current year	<u>23,258</u>	6,747
<p>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 \$10,695.</p>		
		<u>(10,695)</u>
Changes in net position of governmental activities	\$	<u><u>(67,484)</u></u>

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Fiduciary Funds**  
**Statement of Net Position**  
**December 31, 2017**

	<b><u>Payroll</u></b> <b><u>Agency</u></b>	<b><u>December 31,</u></b> <b><u>2017</u></b>
Assets:		
Cash	\$ 102,706	\$ 102,706
Total assets	\$ 102,706	\$ 102,706
Liabilities:		
Other liabilities	\$ 102,706	\$ 102,706
Total liabilities	102,706	102,706
Total net position	\$ -	\$ -

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements**  
**For the year ended December 31, 2017**

**NOTE 1: GENERAL INFORMATION**

**A. Description of Reporting Entity**

Jackson Board of Fire Commissioners No. 4 is a political subdivision of the Township of Jackson, County of Ocean, 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 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 firefighting services to the residents within its territorial location.

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

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

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

**B. District Officials**

The District is governed by a board of five commissioners. The following were in office at December 31, 2017:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
John Bollentin	2018
Kenneth Esposito	2019
Philip Goldman	2018
Wallace Jamison	2020
Raymond Torres Jr.	2020

**C. Accounting Records**

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

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

**D. Minutes**

Minutes were recorded for meetings and contained approvals for disbursements.

**E. Component Units**

GASB Statement No.14, The Financial Reporting Entity, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units and GASB Statement No. 61, The Financial Reporting Entity: Omnis - an amendment of GASB Statements No. 14 and No. 34 and GASB Statement No. 80, Blending Requirements for Certain Component Units. . The District had no component units as of for the year ended December 31, 2017.

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

**A. Basis of Presentation**

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

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

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

**B. Fund Accounting**

The accounts of the district are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources.



**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

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

**B. Fund Accounting (Continued)**

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.”

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 firefighting 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 firefighting 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**

*District Wide Financial Statements*

The district-wide financial statements (A-1 and A-2) report information of all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these district-wide statements. District activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

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

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

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 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.

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

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

**D. Basis of Accounting (continued)**

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

In its accounting and financial reporting, the Fire District No. 4 of the Township of Jackson follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Fire District No. 4 of the Township of Jackson's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

**E. Budgets and Budgetary Accounting**

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

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

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

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

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

**F. Encumbrances**

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

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

**F. Encumbrances (continued)**

Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current year-end. There were no encumbrances for the year ended December 31, 2017.

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

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

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

Public funds are defined as the funds of any governmental unit. Public depositories include savings and loan institutions, banks (both State and National banks) and savings banks the deposits of which 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 the public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

**H. Prepaid Expenses**

Prepaid expenses, which benefit future periods, are recorded as expenditures 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 firefighting 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.

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

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

**J. Capital Assets (continued)**

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:

Building and Improvements	10 to 25 Years
Equipment	5 to 15 Years
Vehicles and Apparatus	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.

**M. Compensated Absences**

Fire District employees are entitled to vacation and sick leave. Unused vacation and sick leave may be accumulated up to a maximum payment of \$15,000. 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 unmatured interest on general long-term debt, which is recognized when due.

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

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

**O. Fire District Taxes**

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

**P. Fund Equity**

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Fire District No. 4 of the Township of Jackson classifies governmental fund balances as follows:

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

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

**Q. Net Position**

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

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

**Q. Net Position (continued)**

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

**R. 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.

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

*Adopted Accounting Pronouncements*

The following GASB Statements became effective for the fiscal year ended December 31, 2017:

Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The adoption of this Statement resulted in a prior period adjustment. See Note 15 for additional information.

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

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

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

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

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

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

*Recently Issued Accounting Pronouncements*

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

Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions. This Statement replaces the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agency Employers and Agent Multi-Employer Plans, for OPEB Statement No. 74, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the District's financial statements.

Statement No. 80, Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. This Statement will be effective for the year ended December 31, 2018. Management does not expect this Statement to have a material impact on the District's financial statements.

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



**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

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

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

Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the District's financial statements.

Statement No. 83, Certain Asset Retirement Obligations. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. This Statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to have a material impact on the District's financial statements.

Statement No. 84, Fiduciary Activities. The Statement intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. To that end, Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. This Statement will be effective for the year ended December 31, 2019. Management has not yet determined the potential impact on the District's financial statements.

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

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

Statement No. 87, Leases. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. This Statement will be effective for the year ended December 31, 2020. Management has not yet determined the potential impact on the District's financial statements.

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

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

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

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

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

**U. Unrealized Gains and Losses**

Governmental Accounting Standards Board (GASB) has established GASB-31, which requires public agencies to report the financial effect of all unrealized gains and losses on invested funds. As of December 31, 2017, the unrealized gains for the Fire District were not considered to be material to the financial statements taken as a whole, and accordingly, have not been reflected in the financial statements.

**V. Fair Value Measurement**

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

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

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

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

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

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

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

*Certificate of Deposit:* Valued at the net asset value (NAV) at year end when the NAV is valued at \$1 per unit.

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

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

The table in Note 4 sets forth by level, within the fair value hierarchy, the LOSAP's assets at fair value as of December 31, 2017.

**W. Subsequent Events**

Jackson Board of Fire Commissioners No. 4 has evaluated subsequent events occurring after December 31, 2017 through the date of June 8, 2018, which is the date the financial statements were available to be issued.

**NOTE 3: CASH**

The Fire District is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2017, and reported at fair value are as follows:

<u>Type</u>	<u>Carrying Value</u>
<b>Deposits:</b>	
Demand deposits	\$ <u>1,322,419</u>
Total deposits	\$ <u>1,322,419</u>
 <b>Reconciliation to Governmental and Fiduciary Fund Statements:</b>	
Governmental Funds	\$ 1,219,713
Fiduciary Funds	<u>102,706</u>
Total	<u>\$ 1,322,419</u>

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

**NOTE 3: CASH (continued)**

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2017, the District's bank balance of \$1,402,275 was insured or collateralized as follows:

Insured	\$ 250,000
Collateralized in the District's name under GUDPA	<u>1,152,275</u>
Total	<u>\$ 1,402,275</u>

**NOTE 4: INVESTMENTS**

**A. Custodial Credit Risk**

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

**B. Investment Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Fire District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at December 31, 2017, are provided in the below schedule.

**C. Investment Credit Risk**

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

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;
- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Fire District or bonds or other obligations of the local unit or units within which the Fire District is located;

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

**NOTE 4: INVESTMENTS (continued)**

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

- 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, 2017.

	<b>Assets at Fair Value as of December 31, 2017</b>			
	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
LOSAP:				
Mutual funds:				
Growth	\$ 4,116	\$ -	\$ -	\$ 4,116
Inflation Protected	4,329	-	-	4,329
Large Growth/Value	140,492	-	-	140,492
Mid-Cap Blend/Growth	42,548	-	-	42,548
Small Blend/Value	7,769	-	-	7,769
Real Estate	4,456	-	-	4,456
International Securities	<u>15,330</u>	<u>-</u>	<u>-</u>	<u>15,330</u>
Total mutual funds	<u>219,040</u>	<u>-</u>	<u>-</u>	<u>219,040</u>
Fixed Account Investment Contract	<u>-</u>	<u>-</u>	<u>125,643</u>	<u>125,643</u>
Total LOSAP	<u>219,040</u>	<u>-</u>	<u>125,643</u>	<u>344,683</u>
Certificates of deposit	<u>1,170,705</u>	<u>-</u>	<u>-</u>	<u>1,170,705</u>
Total assets at fair value	<u>\$ 1,389,745</u>	<u>\$ -</u>	<u>\$ 125,643</u>	<u>\$ 1,515,388</u>

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

**NOTE 4: INVESTMENTS (continued)**

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

**Level III Gains and Losses**

The following table sets forth a summary of changes in the fair value of the LOSAP's Level III assets for the year ended December 31, 2017.

*Level III Assets*  
Year Ended December 31, 2017

	<u>Fixed</u> <u>Account</u>
Balance, beginning of year	\$ 83,649
Purchases, sales, issuances, and settlements (net)	42,427
Gains and (losses)	<u>(432)</u>
Balance, end of year	<u>\$ 125,644</u>

The Fire District has received a letter from Shore Community Bank allowing Fire District No. 4 of the Township of Jackson to withdraw from the Certificate of Deposit's at any time without penalties.

**NOTE 5: DUE FROM OTHERS**

As of December 31, 2017, the District was owed \$9,329 from the State of New Jersey for LEA fees and \$7,430 from Jackson Township, for a total receivable of \$16,759.

**NOTE 6: CAPITAL ASSETS**

N.J.S.A. 40A: 14-84 governs the procedures for the acquisition of property and equipment for 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 firefighting 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.

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

**NOTE 6: CAPITAL ASSETS (continued)**

Fixed assets consisted of the following at December 31, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Building in progress	\$ 16,769	\$ 52,164	\$ -	\$ 68,933
Total building in progress	<u>16,769</u>	<u>52,164</u>	<u>-</u>	<u>68,933</u>
Capital Assets				
Equipment	563,902	36,869	-	600,771
Buildings and improvements	2,547,594	-	-	2,547,594
Trucks and vehicles	<u>2,616,262</u>	<u>-</u>	<u>-</u>	<u>2,616,262</u>
Totals capital assets	<u>5,727,758</u>	<u>36,869</u>	<u>-</u>	<u>5,764,627</u>
Total at historical cost	<u>5,744,527</u>	<u>89,033</u>	<u>-</u>	<u>5,833,560</u>
Less: accumulated depreciation				
Equipment	(475,977)	(21,426)	-	(497,403)
Buildings and improvements	(2,103,440)	(48,831)	-	(2,152,271)
Trucks and vehicles	<u>(1,288,387)</u>	<u>(95,471)</u>	<u>-</u>	<u>(1,383,858)</u>
Total accumulated depreciation	<u>(3,867,804)</u>	<u>(165,728)</u>	<u>-</u>	<u>(4,033,532)</u>
Total capital assets net of accumulated depreciation	<u>\$ 1,876,723</u>	<u>\$ (76,695)</u>	<u>\$ -</u>	<u>\$ 1,800,028</u>

**NOTE 7: NONCURRENT LIABILITIES**

During the fiscal year ended December 31, 2017 the following changes occurred in liabilities reported in long-term debt:

	<u>Balance 12/31/2016</u>	<u>Accrued/ increases</u>	<u>(Retired)/ (decreases)</u>	<u>Balance 12/31/2017</u>	<u>Due within one year</u>
Compensated absences	67,520	10,695	-	78,215	-
Length of service award program	316,241	81,469	(53,027)	344,683	-
Net pension liability	<u>1,699,839</u>	<u>-</u>	<u>(15,956)</u>	<u>1,683,883</u>	<u>-</u>
Total	<u>\$2,083,600</u>	<u>\$ 92,164</u>	<u>\$ (68,983)</u>	<u>\$2,106,781</u>	<u>\$ -</u>

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

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

<u>2017</u>	
Total Compensated Absences	\$ <u>78,215</u>

**NOTE 9: PENSION**

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

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

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

The following represents the membership tiers for PFRS:

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

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



**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

**NOTE 9: PENSION (continued)**

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

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

**Contributions** – The contribution policy for PFRS is set by *N.J.S.A. 43:16A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2017, the State contributed an amount less than the actuarially determined amount. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2017, the District's contractually required contributions to PFRS plan was \$96,532.

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

**Net Pension Liability and Pension Expense** – At December 31, 2017 the District's proportionate share of the PFRS net pension liability was \$1,683,883. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2016, to the measurement date of June 30, 2017. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The District's proportion measured as of June 30, 2017, was 0.0088984899%, which was an increase of 0.0020088532% from its proportion measured as of June 30, 2016.

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

**NOTE 9: PENSION (continued)**

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

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

	<u>12/31/2017</u>	<u>12/30/2016</u>
Actuarial valuation date (including roll forward)	June 30, 2017	June 30, 2016
Deferred Outflows of Resources	\$ 647,159	\$ 541,734
Deferred Inflows of Resources	287,127	13,295
Net Pension Liability	1,683,883	1,699,839
 Fire District No. 4 of the Township of Jackson's portion of the Plan's total net pension Liability	 0.01091%	 0.00890%

**Pension Expense and Deferred Outflows/Inflows of Resources** – At December 31, 2017, the District's proportionate share of the PFRS expense, calculated by the plan as of the June 30, 2017 measurement date is \$248,982.

At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between Expected and Actual Experience	\$ 10,924	\$ 9,883
Changes of Assumptions	207,642	275,771
Net Difference between Projected and Actual Earnings on Pension Plan Investments	32,132	-
Changes in Proportion and Differences between Fire District No. 4 of the Township of Jackson's Contributions and Proportion Share of Contributions	<u>396,461</u>	<u>1,473</u>
	<u>\$ 647,159</u>	<u>\$ 287,127</u>

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

**NOTE 9: PENSION (continued)**

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

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

	<b><u>Deferred Outflow of Resources</u></b>	<b><u>Deferred Inflow of Resources</u></b>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	-	5.53
June 30, 2016	-	5.58
June 30, 2017	5.59	-
Changes in Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.17	-
June 30, 2015	5.53	-
June 30, 2016	5.58	-
June 30, 2017	-	5.59
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
Changes in Proportion and Differences between Fire District No. 4 of the Township of Jackson's Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.17	6.17
June 30, 2015	5.53	5.53
June 30, 2016	5.58	5.58
June 30, 2017	5.59	5.59

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

**NOTE 9: PENSION (continued)**

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

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

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2018	\$ 96,943
2019	120,087
2020	80,308
2021	64,419
2022	<u>(1,725)</u>
	<u>\$ 360,032</u>

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

The State’s proportionate share of the PFRS net pension liability attributable to the District is \$138,929 as of December 31, 2017. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2016, to the measurement date of June 30, 2017. The State’s proportion of the net pension liability associated with the District was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The State’s proportion measured as of June 30, 2017, was 0.0088984899%, which was an increase of 0.0020088532% from its proportion measured as of June 30, 2016., which is the same proportion as the District’s.

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

**NOTE 9: PENSION (continued)**

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

At December 31, 2017, the District’s and the State of New Jersey’s proportionate share of the PFRS net pension liability were as follows:

Fire District No. 4 of the Township of Jackson's Proportionate Share of Net Pension Liability	\$ 1,683,883
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the District	<u>188,609</u> <u>\$ 1,872,492</u>

At December 31, 2017, the State’s proportionate share of the PFRS expense, associated with the District, calculated by the plan as of the June 30, 2017 measurement date was \$23,071.

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

Inflation	2.25%
Salary Increases:	
Through 2026	2.10% – 8.98% Based on Age
Thereafter	3.10% – 9.98% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2013

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Tables projected thirteen years using Projection Scale BB and the projected on a generational basis using the plan actuary’s modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and three years using the plan actuary’s modified 2014 projection scales and further projected on a generational basis using the plan actuary’s modified 2014 projection scales.

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

**NOTE 9: PENSION (continued)**

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

Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then three years using the plan actuary’s modified 2014 projection scales and further projected on a generational basis using the plan actuary’s modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

**Long-Term Expected Rate of Return** – In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS’s target asset allocation as of June 30, 2017 are summarized in the following table:

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

**NOTE 9: PENSION (continued)**

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

**Discount Rate** – The discount rate used to measure the total pension liability was 6.14% as of June 30, 2017. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the District’s proportionate share of the Net Pension Liability to Changes in the Discount Rate** – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.14%) or 1-percentage-point higher (7.14%) than the current rate:

	<b>1% Decrease <u>(5.14%)</u></b>	<b>Current Discount Rate <u>(6.14%)</u></b>	<b>1% Increase <u>(7.14%)</u></b>
Fire District No. 4 of the Township of Jackson’s Proportionate Share of the Net Pension Liability	\$ 2,218,655	\$ 1,683,883	\$ 1,244,507
State of New Jersey’s Proportionate Share of Net Pension Liability associated with the District	<u>248,508</u>	<u>188,609</u>	<u>139,395</u>
	<u>\$ 2,467,163</u>	<u>\$ 1,872,492</u>	<u>\$ 1,383,902</u>

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

The District’s length of service awards program (“LOSAP”), which is reported in the District’s general fund, was created by a resolution adopted in 2003 pursuant to Section 457 (e)(11)(B) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the length of service award program as enacted into federal law in 1997. The voters of the District approved the adoption of the LOSAP at the general election held on February 19, 2005, and the first year of eligibility for entrance into the LOSAP by qualified volunteers was calendar year 2006. The LOSAP provides tax deferred income benefits to active volunteer firefighters and emergency medical personnel.

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

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

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

**Contributions** – If an active member meets the year of active service requirement, a length of service awards program must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually. The District elected to contribute \$1,544 for the year ended December 31, 2017, per eligible volunteer, into the Plan, depending on how many years the volunteer has served. During the year ended December 31, 2017, the District contributed a total of \$38,952 to the plan. Participants direct the investment of the contributions into various investment options offered by the Plan. The District has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the Plan. The types of investment options, and the administering of such investments, rests solely with the plan administrator.

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

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

**Payment of Benefits** – Upon retirement or disability, participants may select various payout options, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate. In the event of an unforeseeable emergency, as outlined in the Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the local plan administrator to payout a portion of vested accumulated deferrals. During the year ended December 31, 2017, payments of \$51,597 were made to vested participants.

**Forfeited Accounts** – There were no forfeitures during the year ended December 31, 2017.

**Investments** – The investments of the length of service awards program reported on the governmental funds balance sheet are recorded at fair value.

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



**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

**NOTE 11: INTERFUND RECEIVABLE/PAYABLE**

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

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
General	\$ 405,799	\$ -
Capital projects	-	303,093
Payroll agency	-	102,706
Totals	<u>\$ 405,799</u>	<u>\$ 405,799</u>

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year. As previously mentioned, these amounts are eliminated in the governmental and business-type columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are presented as Internal Balances in the Statement of Net Position.

**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 District, as provided for by the state statute. For the year ended December 31, 2017, the fire tax rate on the District was \$.069 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 \$4,342.

**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.

**Property and Liability Insurance**

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

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to Financial Statements (continued)**  
**For the year ended December 31, 2017**

**NOTE 14: FUND BALANCE**

**General Fund** – Of the \$1,823,851 General Fund fund balance at December 31, 2017, \$344,683 is restricted for length of service award program; \$143,000 is committed for other purposes and \$1,336,168 is unassigned.

**Capital Projects Fund** – Of the \$867,612 Capital Projects Fund fund balance at December 31, 2017, \$12,696 is committed for other purposes and \$854,916 is restricted for Capital.

**NOTE 15: PRIOR PERIOD ADJUSTMENT**

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

	Governmental <u>Activities</u>	Governmental <u>Fund:</u> <u>General Fund</u>	Fiduciary <u>Fund:</u> <u>Length of Service Award Program</u>
Net position as previously reported at December 31, 2016	\$ 2,835,484	\$ 1,313,558	\$ 316,241
Prior period adjustment - implementation of GASB 73:			
Reclassification of length of service award program investment balance from Fiduciary Fund to Governmental Fund	316,241	316,241	(316,241)
Addition of length of service award program Payable to Governmental Activities	<u>(316,241)</u>	<u>-</u>	<u>-</u>
Total prior period adjustment	<u>-</u>	<u>316,241</u>	<u>(316,241)</u>
Net position as restated January 1, 2017	<u>\$ 2,835,484</u>	<u>\$ 1,629,799</u>	<u>\$ -</u>

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Budgetary Comparison Schedule**  
**For the year ended December 31, 2017**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 500	\$ 500	\$ 20,976	\$ 20,476
Other revenue	-	-	29,782	29,782
Total miscellaneous revenues	<u>500</u>	<u>500</u>	<u>50,758</u>	<u>50,258</u>
Operating grant revenues:				
Supplemental fire service act	<u>3,257</u>	<u>3,257</u>	<u>4,342</u>	<u>1,085</u>
Total operating grant revenue	<u>3,257</u>	<u>3,257</u>	<u>4,342</u>	<u>1,085</u>
Revenues offset with appropriations:				
Uniform fire safety act	<u>35,000</u>	<u>35,000</u>	<u>27,262</u>	<u>(7,738)</u>
Total revenues offset with appropriations	<u>35,000</u>	<u>35,000</u>	<u>27,262</u>	<u>(7,738)</u>
Total revenues	<u>38,757</u>	<u>38,757</u>	<u>82,362</u>	<u>43,605</u>
Amount raised by taxation to support district budget	<u>1,557,384</u>	<u>1,557,384</u>	<u>1,557,384</u>	<u>-</u>
Total anticipated revenues	<u>1,596,141</u>	<u>1,596,141</u>	<u>1,639,746</u>	<u>43,605</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	20,000	20,000	20,000	-
Other expenditures:				
Professional fees	107,500	107,500	123,206	(15,706)
Elections	1,500	2,300	2,244	56
Office supplies and postage	10,500	12,500	7,988	4,512
Paying agent fees	<u>4,300</u>	<u>4,300</u>	<u>-</u>	<u>4,300</u>
Total administration	<u>143,800</u>	<u>146,600</u>	<u>153,438</u>	<u>(6,838)</u>
Cost of operations and maintenance:				
Salaries and wages	420,835	478,960	480,792	(1,832)
Fringe benefits	269,506	269,506	236,182	33,324
Other expenditures:				
Rental charges	65,000	65,000	64,260	740
Gear	15,000	15,000	36,395	(21,395)
Supplies	25,000	25,000	17,916	7,084
Insurance	60,000	60,000	112,813	(52,813)
SCBA	15,000	16,000	15,282	718
Emergency First Aid equipment	5,000	5,000	686	4,314
Advertising	2,000	2,000	688	1,312
Fire prevention	5,000	5,000	2,536	2,464
Training and education	20,000	20,000	17,677	2,323
Contingencies	2,000	2,000	-	2,000

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON  
Budgetary Comparison Schedule (continued)  
For the year ended December 31, 2017

	<b>Original</b>	<b>Modified</b>	<b>Actual Budgetary</b>	
	<b><u>Budget</u></b>	<b><u>Budget</u></b>	<b><u>Basis</u></b>	<b><u>Variance</u></b>
Cost of operations and maintenance (continued):				
Utilities	65,000	65,000	64,627	373
Maintenance and repairs	110,000	110,000	94,318	15,682
Fire service agreement	50,000	50,000	50,000	-
Firefighter expenses	30,000	30,000	16,195	13,805
Other non-bondable assets	208,000	164,703	44,584	120,119
Total cost of operations and maintenance	<u>1,367,341</u>	<u>1,383,169</u>	<u>1,254,951</u>	<u>128,218</u>
Operating appropriations offset with revenues:				
Salaries and wages	20,000	20,000	20,000	-
USFA supplies	15,000	15,000	7,154	7,846
Total operating appropriations offset with revenues	<u>35,000</u>	<u>35,000</u>	<u>27,154</u>	<u>7,846</u>
Length of service award program	<u>50,000</u>	<u>50,000</u>	<u>38,593</u>	<u>11,407</u>
Capital appropriations	<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Total operating appropriations	<u>2,096,141</u>	<u>2,114,769</u>	<u>1,474,136</u>	<u>640,633</u>
Excess (efficiency) of revenues over (under) expenditures	(500,000)	(518,628)	165,610	684,238
Fund balance, January 1	<u>2,181,170</u>	<u>2,181,170</u>	<u>2,181,170</u>	<u>-</u>
Fund balance, December 31	<u>\$ 1,681,170</u>	<u>\$ 1,662,542</u>	<u>\$ 2,346,780</u>	<u>\$ 684,238</u>

**RECAPITULATION OF FUND BALANCE**

Restricted fund balance:		
Capital reserve		\$ 854,916
Committed for:		
Other purposes		12,696
Assigned fund balance:		
Designated for subsequent year's expenditures		143,000
Other purposes		
Unassigned fund balance		<u>1,336,168</u>
Total - budgetary basis		2,346,780
Reconciliation to governmental fund statements (GAAP):		
Length of service award program investment balance not recognized on the budgetary basis		<u>344,683</u>
Total fund balance per governmental funds (GAAP)		<u>\$ 2,691,463</u>

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON**  
**Notes to the Required Supplementary Information**  
**Budget-to-GAAP Reconciliation**  
**All Governmental Funds**

	<u><b>Total Governmental Funds</b></u>
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) "Revenue"	
From the Budgetary Comparison Schedule (C-1)	\$ 1,639,746
Difference - Budget to GAAP:	
Budgetary basis differs from GAAP in that the District does not budget for length of service award program investment income. GASB 73 requires the investment appreciation in the length of service award program to be shown in financial statements using the current financial resources measurement focus and modified accrual basis of accounting:	
Net appreciation in fair value of investments	<u>42,876</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u><u>\$ 1,682,622</u></u>
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Appropriations"	
From the Budgetary Comparison Schedule (C-1)	\$ 1,474,136
Budgetary basis differs from GAAP in that the District is required to budget for contributions to the length of service award program. Expenditures under the current financial resources measurement focus and modified accrual basis of accounting are limited to the benefits paid in accordance with the Plan.	
Length of service award program district contribution	(38,593)
Administrative fees	1,430
Participant withdrawals	<u>51,597</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u><u>\$ 1,488,570</u></u>

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

	<b>Measurement Date Ended June 30,</b>				
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
District's Proportion of the Net Pension Liability	0.01091%	0.00890%	0.00744%	0.00721%	0.00724%
District's Proportionate Share of the Net Pension Liability	\$ 1,683,883	\$ 1,699,839	\$ 1,239,980	\$ 907,119	\$ 962,868
State's Proportionate Share of the Net Pension Liability associated with the Fire District	<u>188,609</u>	<u>142,744</u>	<u>108,741</u>	<u>97,681</u>	<u>89,751</u>
<b>Total</b>	<b><u>\$ 1,872,492</u></b>	<b><u>\$ 1,842,583</u></b>	<b><u>\$ 1,348,721</u></b>	<b><u>\$ 1,004,800</u></b>	<b><u>\$ 1,052,619</u></b>
Fire District's Covered-Employee Payroll	387,964	339,462	339,462	328,454	273,424
Fire District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	434.03%	500.75%	365.28%	276.18%	352.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.60%	52.01%	56.31%	62.41%	58.70%

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

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

	<b>For the year ended December 31,</b>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Contractually Required Contribution	\$ 96,532	\$ 72,553	\$ 60,512	\$ 55,388	\$ 52,842
District's Contribution in Relation to the Contractually Required Contribution	<u>96,532</u>	<u>72,553</u>	<u>60,512</u>	<u>55,388</u>	<u>52,842</u>
District's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 411,310	\$ 387,964	\$ 339,462	\$ 339,462	\$ 328,454
District's Contributions as a Percentage of it's Covered-Employee Payroll	23.47%	18.70%	17.83%	16.32%	16.09%

\*\*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.

**JACKSON BOARD OF FIRE COMMISSIONERS NO. 4**  
**Notes to the Required Supplementary Information**  
**December 31, 2017**

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

*Changes of Benefit Terms*

None.

*Changes of Assumptions*

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

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

*Changes of Benefit Terms*

None.

*Changes of Assumptions*

The discount rate changed from 5.55% as of June 30, 2016, to 6.14% as of June 30, 2017.





Board of Fire Commissioners  
Jackson Board of Fire Commissioners No. 4  
Jackson, New Jersey

We have audited the basic financial statements of the Jackson Board of Fire Commissioners No. 4, County of Ocean, State of New Jersey for the year ended December 31, 2017. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments and Recommendations* for the year then ended.

### GENERAL COMMENTS AND RECOMMENDATIONS

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

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

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

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

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

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

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

The examination of expenditures revealed individual payments, contracts or agreements in excess of \$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 indicate that quotes were requested for all items that required them.

**Examination of Bills**

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.

**Examination of Cash Receipts**

A test check of cash receipts was performed.

**Examination of Investments**

An examination of investments held by the District was conducted to ensure all certificate of deposit balances as stated on the general ledger were accurate.

**General Ledger**

The general ledger was complete with the required journal entries.

**Acknowledgment**

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

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

Should you have any questions, please contact us.



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

June 8, 2018  
Toms River, New Jersey