

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

Financial Statements and Supplementary Information

For the year ended December 31, 2018

(With Independent Auditor's Report thereon)

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

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
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 <i>Government Auditing Standards</i>	3-4
Management's Discussion and Analysis	5-11
District Wide Statement of Net Position	12
District Wide Statement of Activities	13
Governmental Funds Balance Sheet	14
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance	15-16
Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	17
Fiduciary Funds Statement of Net Position	18
Notes to Financial Statements	19-45
Required Supplementary Information, Part I:	
Budgetary Comparison Schedule	46-47
Notes to the Required Supplementary Information: Budget-to-GAAP Reconciliation	48
Required Supplementary Information, Part II:	
Schedule of the District's Proportionate Share of the Net Pension Liability – PFRS	49
Schedule of District Contributions – PFRS	50
Notes to the Required Supplementary Information	51
Other Supplementary Information:	
General Comments and Recommendations	52-53

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2019 on our consideration of the Jackson Board of Fire Commissioners No. 4'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 Jackson Board of Fire Commissioners No. 4's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

August 12, 2019
Toms River, New Jersey

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental activities of each major fund and the aggregate remaining fund information of Jackson Board of Fire Commissioners No. 4, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Jackson Board of Fire Commissioners No. 4’s basic financial statements, and have issued our report thereon dated August 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jackson Board of Fire Commissioners No. 4’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 Jackson Board of Fire Commissioners No. 4’s internal control. Accordingly, we do not express an opinion on the effectiveness of Jackson Board of Fire Commissioners No. 4’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. We consider the deficiencies described in the general comments and recommendations to be significant deficiencies as finding number 2018-001.

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

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fire District No. 4 of the Township of 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 as finding number 2018-001.

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.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

August 12, 2019
Toms River, New Jersey

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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, 2018. 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, 2018 by approximately \$2.56 million. In 2017 the excess was approximately \$2.77 million. This is a decrease of approximately \$203,100.
- During 2018 Fire District No. 4 of the Township of Jackson operated at a deficit of approximately \$203,100. The deficit in 2017 was approximately \$67,500. This is an increase of approximately \$135,700.
- The District increased their liabilities by approximately \$139,400 in 2018, and decreased their assets by approximately \$63,700.

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 2018, the District's assets exceeded its liabilities by approximately \$2.56 million. The largest portion of Fire District No. 4 of the Township of Jackson's net position is its investment in capital assets. The District uses these assets to provide fire-fighting services to the community; consequently, these assets are not available for future spending. Fire District No. 4 of the Township of 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, 2018 the District had no long term debt.

Statement of Net Position

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

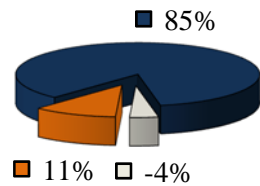
	<u>2018</u>	<u>2017</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Current and deferred outflows of resources	\$ 2,898,899	\$ 3,524,983	(626,084)	(17.8%)
Capital assets	<u>2,362,426</u>	<u>1,800,028</u>	562,398	31.2%
Total assets	5,261,325	5,325,011	(63,686)	(1.2%)
Total liabilities	<u>(2,696,459)</u>	<u>(2,557,011)</u>	139,448	5.5%
Net position	<u>\$ 2,564,866</u>	<u>\$ 2,768,000</u>	(203,134)	(7.3%)

Analysis of net position

Invested in capital assets, net of related debt	\$ 2,362,426	\$ 1,800,028	562,398	31.2%
Restricted for:				
Capital projects	307,880	867,612	(559,732)	(64.5%)
Unrestricted	<u>(105,440)</u>	<u>100,360</u>	(205,800)	(205.1%)
Total net position	<u>\$ 2,564,866</u>	<u>\$ 2,768,000</u>	(203,134)	(7.3%)

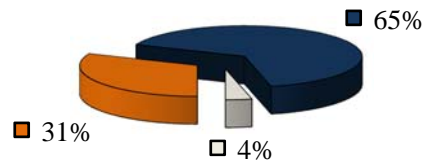
The net position of Fire District No. 4 of the Township of Jackson decreased approximately \$203,100 during the 2018 period. This decrease was due primarily to a deficit in the operating fund for 2018. The District added approximately \$729,700 of capital assets during the year. In 2018 the capital assets increased by approximately \$562,400 after depreciation expense.

2018 Net Position



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

2017 Net Position



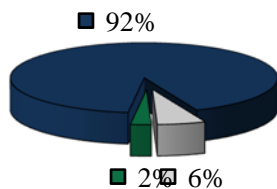
- Restricted for Capital
- Invested in Capital Assets, Net of Related Debt
- Unrestricted

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:

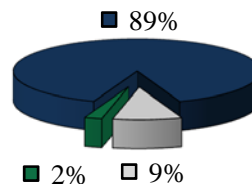
	<u>2018</u>	<u>2017</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Expenses				
Program expenses				
Administrative expenses	\$ 106,401	\$ 153,438	(47,037)	(30.7%)
Cost of operations and maintenance	1,678,078	1,515,199	162,879	10.7%
Length of service award contribution	<u>45,706</u>	<u>38,593</u>	7,113	18.4%
Total program expenses	<u>1,830,185</u>	<u>1,707,230</u>	122,955	7.2%

2018 Program Expenses



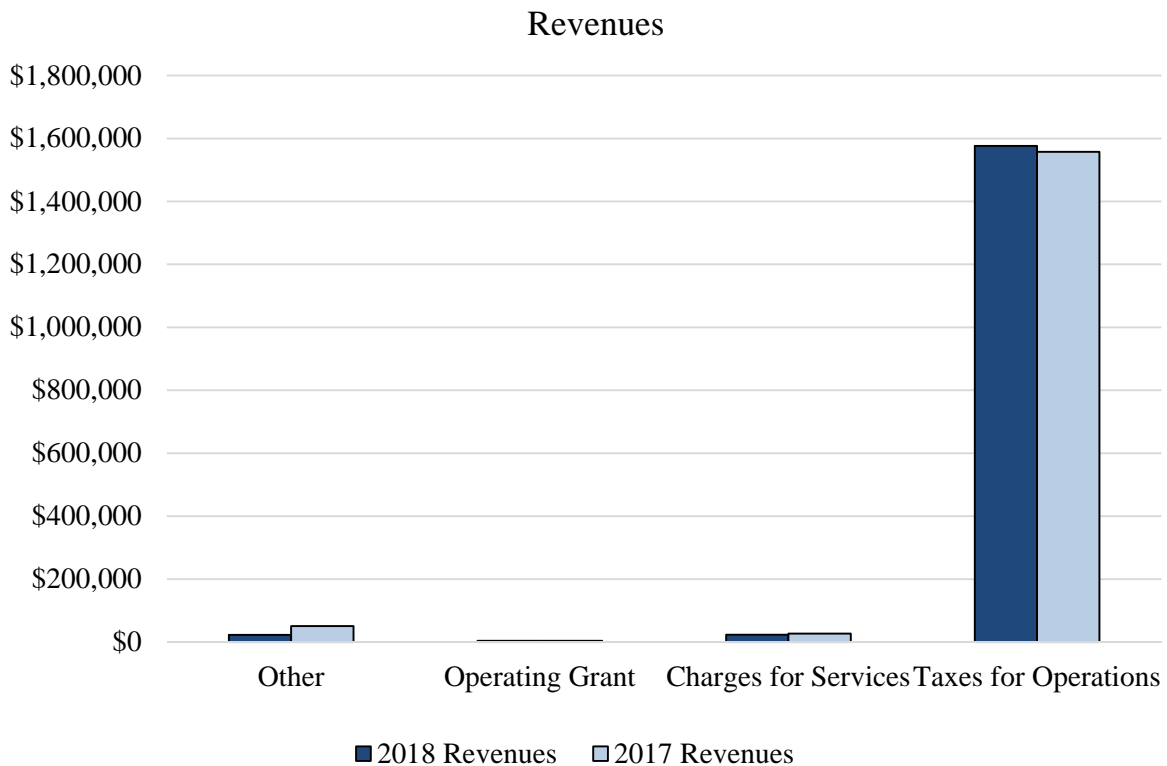
- Administrative
- LOSAP
- Operations

2017 Program Expenses



- Administrative
- LOSAP
- Operations

	<u>2018</u>	<u>2017</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Revenues				
Program revenues				
Charges for services	23,480	27,262	(3,782)	(13.9%)
Total program revenues	<u>23,480</u>	<u>31,604</u>	(3,782)	(13.9%)
Net program expenses	<u>1,806,705</u>	<u>1,675,626</u>	126,737	7.5%
General revenues				
Property taxes levied for:				
General purposes	1,576,140	1,557,384	18,756	1.2%
Total property taxes levied	1,576,140	1,557,384	18,756	1.2%
Miscellaneous	23,089	20,976	(27,669)	(54.5%)
Operating grant revenue	4,342	29,782	-	0.0%
Total general revenues	<u>1,603,571</u>	<u>1,608,142</u>	(8,913)	(0.6%)
Decrease in net position	(203,134)	(67,484)	135,650	201.0%
Net position, January 1	<u>2,768,000</u>	<u>2,835,484</u>	(67,484)	(2.4%)
Net position, December 31	<u>\$ 2,564,866</u>	<u>\$ 2,768,000</u>	(203,134)	(7.3%)



Property tax revenue constituted 97% of the total governmental activities revenues received by Fire District No. 4 of the Township of Jackson in 2018. In 2017 the property tax revenue constituted 95% of total revenues.

The Cost of Operations & Maintenance was 92% and 89% of the District's total expenses in 2018 and 2017 respectively. Administration expenses equaled 6% and 9% of the total expenses in 2018 and 2017 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, 2018, the combined balance of the governmental cash and investment funds of Fire District No. 4 of the Township of Jackson was approximately \$1.87 million. This balance is approximately \$522,800 less than last year's combined governmental funds balance. The decrease is due primarily to the purchase of capital appropriations and from the excess of expenses over revenues.

The combined balance of the governmental funds of Fire District No. 4 of the Township of Jackson approximately \$2,080,000. Unreserved fund balances amounted to approximately \$791,000 of that total. The Commissioners designated \$615,000 of general funds for utilization in the 2019 budget.

The general fund is the main operating fund of Fire District No. 4 of the Township of Jackson. At the end of 2018, the total fund balance of the general fund was approximately \$1,722,200. Of this balance, approximately \$791,000 was unreserved.

During 2018 the general fund balance of Fire District No. 4 of the Township of Jackson decreased by approximately \$51,700. The primary reasons for this increase are as follows:

- The Board expended more funds than they received in revenues by approximately \$51,700.

At the end of 2018, the District had a capital projects fund balance of \$307,880.

General Fund Budgetary Highlights

The District had total expenditures in excess of revenues of approximately \$490,000 in 2018, and a surplus in 2017 of \$684,200. The year ending December 31, 2019 is expected to generate a surplus also.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2018 Fire District No. 4 of the Township of Jackson had invested in capital assets for government activities of \$2,362,426 (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, 2018

	<u>2018</u>	<u>2017</u>	<u>\$ Increase (Decrease)</u>
Capital assets			
Building in progress	\$ 674,783	\$ 68,933	605,850
Equipment	605,571	600,771	4,800
Building and improvements	2,557,643	2,547,594	10,049
Trucks and vehicles	<u>2,725,273</u>	<u>2,616,262</u>	109,011
Total capital assets	6,563,270	5,833,560	729,710
Accumulated depreciation	<u>(4,200,844)</u>	<u>(4,033,532)</u>	(167,312)
Total capital assets, net	<u>\$ 2,362,426</u>	<u>\$ 1,800,028</u>	562,398

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, 2018.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

In 2018, 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 2018 the fire tax levy amounted to 97% of total revenue collected.

Fire District No. 4 of the Township of Jackson adopted their 2019 budget on November 8, 2018. The voters subsequently voted to approve the budget at the December election. The 2019 adopted budget reflected an increase in the tax levy of \$51,905. 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 2019 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.

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

	Governmental Activities
	2018
Assets:	
Current assets:	
Cash (Note 3)	\$ 675,916
Investments (Note 4)	1,191,716
Due from others (Note 5)	21,941
Other receivables	79,660
Prepaid expenses	24,114
Total current assets	1,993,347
Noncurrent assets:	
Investment in length of service award program (Note 4)	320,538
Total noncurrent assets	320,538
Capital assets, net:	
Nondepreciable (Note 6)	674,783
Depreciable (Note 6)	1,687,643
Total capital assets	2,362,426
Total assets	4,676,311
Deferred outflows of resources:	
Deferred outflows related to pensions (Note 9)	585,014
Total deferred outflows of resources	585,014
Total assets and deferred outflows of resources	\$ 5,261,325
Liabilities:	
Current liabilities:	
Accounts payable	\$ 58,908
Accrued professional fees	11,965
Accrued payroll	22,373
Accrued pension	116,461
Total current liabilities	209,707
Noncurrent liabilities:	
Compensated absences (Note 7)	79,173
Net pension liability (Note 7)	1,611,940
Investment in length of service award program payable (Note 7)	366,244
Total noncurrent liabilities	2,057,357
Total liabilities	2,267,064
Deferred inflows of resources:	
Deferred inflows related to pensions (Note 9)	429,395
Total deferred inflows of resources	429,395
Total liabilities and deferred inflows of resources	2,696,459
Net position:	
Net investment in capital assets	2,362,426
Restricted net position:	
Capital	307,880
Unrestricted net position	(105,440)
Total net position	2,564,866
Total liabilities, deferred inflows of resources, and net position	\$ 5,261,325

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Statement of Activities
For the year ended December 31, 2018

	Expenses	Charges for Services	Governmental Activities 2018
Government activities:			
Operation appropriations:			
Administration	\$ 106,401	\$ -	\$ (106,401)
Costs of operations and maintenance	1,678,078	23,480	(1,654,598)
Length of service award program	45,706	-	(45,706)
Total government activities	1,830,185	23,480	(1,806,705)
General revenues:			
Miscellaneous revenue			23,089
Operating grant revenues			4,342
Amount raised by taxation			1,576,140
Total general revenues			1,603,571
Change in net position			(203,134)
Net position, January 1			2,768,000
Net position, December 31			\$ 2,564,866

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Balance Sheet
Governmental Funds
December 31, 2018

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals December 31, 2018</u>
Assets:			
Current assets:			
Cash	\$ 675,916	\$ -	\$ 675,916
Investments	-	1,191,716	1,191,716
Due from others	21,941	-	21,941
Other receivable	934,284	-	934,284
Total current assets	<u>1,632,141</u>	<u>1,191,716</u>	<u>2,823,857</u>
Noncurrent assets:			
Investment in length of service award program	320,538	-	320,538
Total noncurrent assets	<u>320,538</u>	<u>-</u>	<u>320,538</u>
Total assets	<u>\$ 1,952,679</u>	<u>\$ 1,191,716</u>	<u>\$ 3,144,395</u>
Liabilities, equity and other credits:			
Accounts payable	29,696	29,212	\$ 58,908
Accrued professional fees	11,965	-	11,965
Accrued payroll	22,373	-	22,373
Accrued pension	116,461	-	116,461
Other payable	-	854,624	854,624
Total liabilities	<u>180,495</u>	<u>883,836</u>	<u>1,064,331</u>
Fund balances			
Restricted for:			
Capital	-	307,880	307,880
Investment in length of service award program	366,244	-	366,244
Assigned for:			
Subsequent year's expenditures	615,000	-	615,000
Unassigned, reported in:			
General fund	790,940	-	790,940
Total fund balance	<u>1,772,184</u>	<u>307,880</u>	<u>2,080,064</u>
Total liabilities and fund balance	<u>\$ 1,952,679</u>	<u>\$ 1,191,716</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.

24,114

Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.

155,619

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$6,551,575 and the accumulated depreciation is \$4,189,149.

2,362,426

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.

(2,057,357)

Net position of governmental activities

\$ 2,564,866

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, 2018

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals December 31, 2018</u>
Revenues:			
Miscellaneous anticipated revenue:			
Annual registration fees	\$ 23,480	\$ -	\$ 23,480
Investment income - unrestricted cash and investments	21,749	-	21,749
Other revenue	1,340	-	1,340
Total miscellaneous revenues	<u>46,569</u>	<u>-</u>	<u>46,569</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>50,911</u>	<u>-</u>	<u>50,911</u>
Amount raised by taxation to support district budget	1,576,140	-	1,576,140
Total anticipated revenues	<u>1,627,051</u>	<u>-</u>	<u>1,627,051</u>
Expenditures:			
Operating appropriations:			
Administration:			
Salaries and wages	21,000	-	21,000
Other expenditures:			
Professional fees	87,248	-	87,248
Elections	2,107	-	2,107
Office supplies and postage	11,008	-	11,008
Total administration	<u>121,363</u>	<u>-</u>	<u>121,363</u>
Cost of operations and maintenance:			
Salaries and wages	543,653	-	543,653
Fringe benefits	255,409	-	255,409
Other expenditures:			
Rental charges	64,260	-	64,260
Gear	20,717	-	20,717
Supplies	28,855	-	28,855
Insurance	127,046	-	127,046
SCBA	18,952	-	18,952
Emergency First Aid equipment	5,168	-	5,168
Advertising	712	-	712
Fire prevention	3,639	-	3,639
Training and education	33,268	-	33,268

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, 2018

	General Fund	Capital Projects Fund	Totals December 31, 2018
Cost of operations and maintenance (continued)			
Other expenditures (continued):			
Utilities	52,600	-	52,600
Maintenance and repairs	101,476	-	101,476
Fire Service Agreement	50,000	-	50,000
Firefighter expenses	28,565	-	28,565
Other non-bondable assets	94,204	-	94,204
Total cost of operations and maintenance	1,428,524	-	1,428,524
Operating appropriations offset with revenues:			
Salaries and wages	20,500	-	20,500
USFA supplies	4,186	-	4,186
Total operating appropriations offset with revenues	24,686	-	24,686
Length of service award program			
Administrative fees	1,060	-	1,060
Depreciaion in fair value of investments	15,046	-	15,046
Participant withdrawals	8,039	-	8,039
Total length of service award program	24,145	-	24,145
Capital appropriations	-	639,732	639,732
Total operating appropriations	1,598,718	639,732	2,238,450
Other financing source and uses:			
Transfer of fund balance	(80,000)	80,000	-
Total other financing sources and uses	(80,000)	80,000	-
Excess (efficiency) of revenues over (under) expenditures	(51,667)	(559,732)	(611,399)
Fund balance, January 1	1,823,851	867,612	2,691,463
Fund balance, December 31	\$ 1,772,184	\$ 307,880	\$ 2,080,064

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, 2018

Total net changes in Fund Balance-Governmental Funds (B-2) \$ (611,399)

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

Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlays-General Fund	89,977	
Capital Outlays - Capital Projects Fund	639,732	
Depreciation Expense	<u>(167,311)</u>	562,398

Length of service award program contribution is not reported in governmental funds as expenditures. However, in the statement of net position, the expense is equal to the amount of contributions to the volunteers accounts as determined by the benefit terms.

Change in value of LOSAP investments is not a revenue in the government wide financial statements as it is payable to the volunteers in accordance with the plan benefits.

District contribution to length of service award program	(45,706)	
Depreciation in fair value of investments	15,046	
Administrative fees	1,060	
Participant withdrawals	<u>8,039</u>	(21,561)

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

Pension Expense	<u>(132,470)</u>	(132,470)
-----------------	------------------	-----------

Prepaid insurance is reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is expensed over the term of the policy as insurance expense.

Prior year	(23,258)	
Current year	<u>24,114</u>	856

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 \$985

(958)

Changes in net position of governmental activities \$ (203,134)

EXHIBIT B-3

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Fiduciary Funds
Statement of Net Position
December 31, 2018

	<u>Payroll Agency</u>	<u>December 31, 2018</u>
Assets:		
Cash	\$ 79,660	\$ 79,660
Total assets	<u>\$ 79,660</u>	<u>\$ 79,660</u>
Liabilities:		
Other liabilities	\$ 79,660	\$ 79,660
Total liabilities	<u>79,660</u>	<u>79,660</u>
Total net position	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Notes to Financial Statements
For the year ended December 31, 2018

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, 2018:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
John Bollentin	2021
Kenneth Esposito	2019
Philip Goldman	2021
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, 2018

NOTE 1: GENERAL INFORMATION (continued)

D. Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

E. Component Units

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

The 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, 2018

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, 2018

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, 2018

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 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, 2018

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, 2018.

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, 2018

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, 2018

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:

- 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.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Net Position

- 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 Issued Accounting Principles

Adopted Accounting Pronouncements

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

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

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

Recently Issued Accounting Pronouncements

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

Statement No. 83, Certain Asset Retirement Obligations. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Impact of Recently Issues Accounting Principles (continued)

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management does not expect this Statement to have a material impact on the District's financial statements.

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

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

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

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.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2018, 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:

Registered investment companies: 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.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

V. Fair Value Measurement (continued)

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

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

W. Subsequent Events

Jackson Board of Fire Commissioners No. 4 has evaluated subsequent events occurring after December 31, 2018 through the date of August 12, 2019, 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, 2018, and reported at fair value are as follows:

<u>Type</u>	<u>Carrying Value</u>
Deposits:	
Demand deposits	\$ 755,576
Total deposits	<u>\$ 755,576</u>
 Reconciliation to Governmental and Fiduciary Fund Statements:	
Governmental Funds	\$ 675,916
Fiduciary Funds	<u>79,660</u>
Total	<u>\$ 755,576</u>

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2018, the District's bank balance of \$764,173 was insured or collateralized as follows:

Insured	\$ 250,000
Collateralized in the District's name under GUDPA	<u>514,173</u>
Total	<u>\$ 764,173</u>

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

NOTE 4: INVESTMENTS

A. Custodial Credit Risk

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

B. Investment Interest Rate Risk

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

C. Investment Credit Risk

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

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

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

NOTE 4: INVESTMENTS (continued)

C. Investment Credit Risk (continued)

The following table sets forth by level, within the value hierarchy, the District's assets at fair value at December 31, 2018.

	Assets at Fair Value as of December 31, 2018			
	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
LOSAP:				
Registered investment companies	\$ 224,308	-	-	\$ 224,308
Fixed Account Investment Contracts	<u>-</u>	<u>-</u>	<u>96,230</u>	<u>96,230</u>
Total LOSAP	<u>224,308</u>	<u>-</u>	<u>96,230</u>	<u>320,538</u>
Certificates of deposit	<u>1,191,716</u>	<u>-</u>	<u>-</u>	<u>1,191,716</u>
Total assets at fair value	<u>\$ 1,416,024</u>	<u>\$ -</u>	<u>\$ 96,230</u>	<u>\$ 1,512,254</u>

Level III Gains and Losses

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

Level III Assets
Year Ended December 31, 2018

	<u>Fixed</u> <u>Account</u>
Balance, beginning of year	\$ 87,051
Purchases, sales, issuances, and settlements (net)	13,217
Gains and (losses)	<u>(4,038)</u>
Balance, end of year	<u>\$ 96,230</u>

The 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, 2018, the District was owed \$13,539 from the State of New Jersey for LEA fees and \$8,402 from Jackson Township, for a total receivable of \$21,941.

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

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.

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Building in progress	\$ 68,933	\$ 605,850	\$ -	\$ 674,783
Total building in progress	<u>68,933</u>	<u>605,850</u>	<u>-</u>	<u>674,783</u>
Capital Assets				
Equipment	600,771	4,800	-	605,571
Buildings and improvements	2,547,594	10,049	-	2,557,643
Trucks and vehicles	<u>2,616,262</u>	<u>109,011</u>	<u>(11,695)</u>	<u>2,713,578</u>
Totals capital assets	<u>5,764,627</u>	<u>123,860</u>	<u>(11,695)</u>	<u>5,876,792</u>
Total at historical cost	<u>5,833,560</u>	<u>729,710</u>	<u>(11,695)</u>	<u>6,551,575</u>
Less: accumulated depreciation				
Equipment	(497,403)	(19,843)	-	(517,246)
Buildings and improvements	(2,152,271)	(46,547)	-	(2,198,818)
Trucks and vehicles	<u>(1,383,858)</u>	<u>(101,922)</u>	<u>11,695</u>	<u>(1,473,085)</u>
Total accumulated depreciation	<u>(4,033,532)</u>	<u>(167,312)</u>	<u>11,695</u>	<u>(4,189,149)</u>
Total capital assets net of accumulated depreciation	<u>\$ 1,800,028</u>	<u>\$ 562,398</u>	<u>\$ -</u>	<u>\$ 2,362,426</u>

NOTE 7: NONCURRENT LIABILITIES

During the fiscal year ended December 31, 2018 the following changes occurred in liabilities reported in long-term debt:

	<u>Balance 12/31/2017</u>	<u>Accrued/ increases</u>	<u>(Retired)/ (decreases)</u>	<u>Balance 12/31/2018</u>	<u>Due within one year</u>
Compensated absences	\$ 78,215	\$ 958	\$ -	\$ 79,173	\$ -
Length of service award program	344,683	45,706	(24,145)	366,244	-
Net pension liability	<u>\$1,683,883</u>	<u>-</u>	<u>(71,943)</u>	<u>1,611,940</u>	<u>-</u>
Total	<u>\$2,106,781</u>	<u>\$ 46,664</u>	<u>\$ (96,088)</u>	<u>\$2,057,357</u>	<u>\$ -</u>

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

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, 2018, the District did not have a current liability for compensated absences. The amounts included in the long-term liabilities consists of the following:

2018

Total Compensated Absences	\$ <u>79,173</u>
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NOTE 9: PENSION OBLIGATIONS

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, 2018

NOTE 9: PENSION OBLIGATIONS (continued)

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

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

Contributions – The contribution policy for PFRS is set by *N.J.S.A. 43:16A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2018, the State contributed an amount less than the actuarially determined amount. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability.

Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2018, the District's contractually required contributions to PFRS plan was \$116,461.

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

NOTE 9: PENSION OBLIGATIONS (continued)

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

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

Net Pension Liability and Pension Expense – At December 31, 2018 the District’s proportionate share of the PFRS net pension liability was \$1,611,940. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2017, to the measurement date of June 30, 2018. The District’s proportion of the net pension liability was based on the District’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2018. The District’s proportion measured as of June 30, 2017, was 0.0119123733%, which was an increase of 0.0010050302% from its proportion measured as of June 30, 2017.

Balances at December 31, 2018 and December 31, 2017

	<u>12/31/2018</u>	<u>12/31/2017</u>
Actuarial valuation date (including roll forward)	June 30, 2018	June 30, 2017
Deferred Outflows of Resources	\$ 585,014	\$ 647,159
Deferred Inflows of Resources	429,395	287,127
Net Pension Liability	1,611,940	1,683,883
District’s portion of the Plan's total Net Pension Liability	0.01191%	0.01091%

Pension Expense and Deferred Outflows/Inflows of Resources – At December 31, 2018, the District’s proportionate share of the PFRS expense, calculated by the plan as of the June 30, 2018 measurement date is \$248,928

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

NOTE 9: PENSION OBLIGATIONS (continued)

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 16,399	\$ 6,671
Changes of Assumptions	138,363	413,113
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	8,819
Changes in Proportion and Differences Between the District’s Contributions and Proportion Share of Contributions	<u>430,252</u>	<u>792</u>
	<u>\$ 585,014</u>	<u>\$ 429,395</u>

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

NOTE 9: PENSION OBLIGATIONS (continued)

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

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

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

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

NOTE 9: PENSION OBLIGATIONS (continued)

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

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

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2019	\$ 116,880
2020	77,101
2021	(48,379)
2022	(61,253)
2022	<u>(25,218)</u>
	<u>\$ 155,619</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 \$218,955 as of December 31, 2018. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2017, to the measurement date of June 30, 2018. The State’s proportion of the net pension liability associated with the District was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The State’s proportion measured as of June 30, 2018, was 0.0119123733%, which was an increase of 0.0010050302% from its proportion measured as of June 30, 2017, 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, 2018

NOTE 9: PENSION OBLIGATIONS (continued)

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

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

District’s Proportionate Share of Net Pension Liability	\$ 1,611,940
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the District	<u>218,955</u>
	<u>\$ 1,830,895</u>

At December 31, 2018, the State’s proportionate share of the PFRS expense, associated with the District, calculated by the plan as of the June 30, 2018 measurement date was \$106,199.

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

Inflation	2.25%
Salary Increases:	
Through 2026	2.10% – 8.98% Based on Age
Thereafter	3.10% – 9.98% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial Assumptions were Based	July 1, 2010 - June 30, 2013

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2012 using a generational approach based on the plan actuary’s modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA.

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

NOTE 9: PENSION OBLIGATIONS (continued)

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

In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2012 using a generational approach based on the plan actuary’s modified MP-2014 projection scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

Long-Term Expected Rate of Return – In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS’s target asset allocation as of June 30, 2018 are summarized in the following table:

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

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

NOTE 9: PENSION OBLIGATIONS (continued)

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

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

Sensitivity of the District’s proportionate share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.51%) or 1-percentage-point higher (7.51%) than the current rate:

	1% Decrease <u>(5.51%)</u>	Current Discount Rate <u>(6.51%)</u>	1% Increase <u>(7.51%)</u>
District’s Proportionate Share of the Net Pension Liability	\$ 2,175,382	\$ 1,161,940	\$ 1,158,904
State of New Jersey’s Proportionate Share of Net Pension Liability associated with the District	<u>293,044</u>	<u>218,955</u>	<u>157,418</u>
	<u>\$ 2,450,426</u>	<u>\$ 1,830,895</u>	<u>\$ 1,316,322</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, 2018

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 initial plan year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually. The District elected to contribute \$1,544 for the year ended December 31, 2018, per eligible volunteer, into the Plan, depending on how many years the volunteer has served. During the year ended December 31, 2018, the District contributed a total of \$45,706 to the plan. Participants direct the investment of the contributions into various investment options offered by the Plan. The District has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the Plan. The types of investment options, and the administering of such investments, rests solely with the plan administrator.

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

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

Payment of Benefits – Upon retirement or disability, participants may select various payout options, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate. In the event of an unforeseeable emergency, as outlined in the Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the local plan administrator to payout a portion of vested accumulated deferrals. During the year ended December 31, 2018, payments of \$8,039 were made to vested participants.

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

Investments – The investments of the length of service awards program reported on the 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, 2018

NOTE 11: OTHER RECEIVABLE/PAYABLE

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

<u>Fund</u>	<u>Other receivable</u>	<u>Other payable</u>
General	\$ 934,284	\$ -
Capital projects	-	854,624
Payroll agency	-	79,660
Totals	<u>\$ 934,284</u>	<u>\$ 934,284</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 other receivables/payables 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, 2018, the fire tax rate on the District was \$.070 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.

NOTE 14: FUND BALANCE

General Fund – Of the \$1,772,184 General Fund fund balance at December 31, 2018, \$366,244 is restricted for length of service award program; \$615,000 is committed for other purposes and \$790,940 is unassigned.

Capital Projects Fund – Of the \$307,880 Capital Projects Fund fund balance at December 31, 2018, \$307,880 is restricted for Capital.

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

NOTE 15: DEFICIT UNRESTRICTED NET POSITION

As reflected on Exhibit A-1, Statement of Net position, a deficit in unrestricted net position of \$(105,440) existed as of December 31, 2018 for governmental activities. The primary cause of this deficit is the recording of the long-term liability for net pension. In accordance with full accrual accounting, which is the basis of accounting for Exhibit A-1, Statement of Net position, such liabilities are required to be recorded in the period in which they are incurred. However, in accordance with the rules and regulations that govern the District in the formulation of their annual budget (see Note 1), pension liabilities that relate to future services, or that are contingent on a specific event outside the control of the District and its employees, are funded in the period in which such services are rendered or in which such events take place. Therefore, this deficit in unrestricted net position for governmental activities is not an indication that the District is facing financial difficulties or going concern issues.

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

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ 500	\$ 500	\$ 21,749	\$ 21,249
Other revenue	-	-	1,340	1,340
Total miscellaneous revenues	<u>500</u>	<u>500</u>	<u>23,089</u>	<u>22,589</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>23,480</u>	<u>(11,520)</u>
Total revenues offset with appropriations	<u>35,000</u>	<u>35,000</u>	<u>23,480</u>	<u>(11,520)</u>
Total revenues	<u>38,757</u>	<u>38,757</u>	<u>50,911</u>	<u>12,154</u>
Amount raised by taxation to support district budget	<u>1,576,140</u>	<u>1,576,140</u>	<u>1,576,140</u>	<u>-</u>
Total anticipated revenues	<u>1,614,897</u>	<u>1,614,897</u>	<u>1,627,051</u>	<u>12,154</u>
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	20,000	20,000	21,000	(1,000)
Other expenditures:				
Professional fees	110,000	85,000	87,248	(2,248)
Elections	1,500	2,150	2,107	43
Office supplies and postage	10,500	14,000	11,008	2,992
Paying agent fees	<u>4,300</u>	<u>4,300</u>	<u>-</u>	<u>4,300</u>
Total administration	<u>146,300</u>	<u>125,450</u>	<u>121,363</u>	<u>4,087</u>
Cost of operations and maintenance:				
Salaries and wages	501,080	525,130	543,653	(18,523)
Fringe benefits	310,367	295,367	255,409	39,958
Other expenditures:				
Rental charges	65,000	65,000	64,260	740
Gear	20,000	20,000	20,717	(717)
Supplies	25,000	27,000	28,855	(1,855)
Insurance	60,000	60,000	127,046	(67,046)
SCBA	40,000	10,000	18,952	(8,952)
Emergency First Aid equipment	5,000	5,000	5,168	(168)
Advertising	2,000	2,000	712	1,288
Fire prevention	5,000	5,000	3,639	1,361
Training and education	20,000	33,500	33,268	232
Contingencies	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>

**FIRE DISTRICT NO. 4 OF THE TOWNSHIP OF JACKSON
Budgetary Comparison Schedule (continued)
For the year ended December 31, 2018**

	Original Budget	Modified Budget	Actual Budgetary Basis	Variance
Cost of operations and maintenance (continued):				
Other expenditures (continued):				
Utilities	70,000	55,000	52,600	2,400
Maintenance and repairs	110,000	110,000	101,476	8,524
Fire service agreement	50,000	50,000	50,000	-
Firefighter expenses	35,000	31,300	28,565	2,735
Other non-bondable assets	126,150	171,150	94,204	76,946
Total cost of operations and maintenance	1,446,597	1,467,447	1,428,524	38,923
Operating appropriations offset with revenues:				
Salaries and wages	25,000	25,000	20,500	4,500
Fringe benefits	2,500	2,500	-	2,500
USFA supplies	7,500	7,500	4,186	3,314
Total operating appropriations offset with revenues	35,000	35,000	24,686	10,314
Length of service award program	50,000	50,000	45,706	4,294
Capital appropriations	80,000	80,000	639,732	(559,732)
Total operating appropriations	1,757,897	1,757,897	2,260,011	(502,114)
Excess (efficiency) of revenues over (under) expenditures	(143,000)	(143,000)	(632,960)	(489,960)
Fund balance, January 1	2,346,780	2,346,780	2,346,780	-
Fund balance, December 31	\$ 2,203,780	\$ 2,203,780	\$ 1,713,820	\$ (489,960)

RECAPITULATION OF FUND BALANCE

Restricted fund balance:		
Capital reserve		\$ 307,880
Assigned fund balance:		
Designated for subsequent year's expenditures		615,000
Unassigned fund balance		790,940
Total - budgetary basis		1,713,820
Reconciliation to governmental fund statements (GAAP):		
Length of service award program investment balance not recognized on the budgetary basis		366,244
Total fund balance per governmental funds (GAAP)		\$ 2,080,064

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

	<u>Total Governmental Funds</u>
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) "Revenue"	
From the Budgetary Comparison Schedule (C-1)	\$ 1,627,051
Difference - Budget to GAAP:	
Budgetary basis differs from GAAP in that the District does not budget for length of service award program investment income. GASB 73 requires the investment appreciation in the length of service award program to be shown in financial statements using the current financial resources measurement focus and modified accrual basis of accounting:	
Net appreciation in fair value of investments	<u>-</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u><u>\$ 1,627,051</u></u>
Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Appropriations"	
From the Budgetary Comparison Schedule (C-1)	\$ 2,260,011
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	(45,706)
Administrative fees	1,060
Depreciation in fair value of investments	15,046
Participant withdrawals	<u>8,039</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u><u>\$ 2,238,450</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 Six Fiscal Years **

	Measurement Date Ended June 30,					
	2018	2017	2016	2015	2014	2013
District's Proportion of the Net Pension Liability	0.01191%	0.01091%	0.00890%	0.00744%	0.00721%	0.00724%
District's Proportionate Share of the Net Pension Liability	\$ 1,611,940	\$ 1,611,940	\$ 1,699,839	\$ 1,239,980	\$ 907,119	\$ 962,868
State's Proportionate Share of the Net Pension Liability associated with the Fire District	218,955	188,609	142,744	108,741	97,681	89,751
Total	\$ 1,830,895	\$ 1,800,549	\$ 1,842,583	\$ 1,348,721	\$ 1,004,800	\$ 1,052,619
Fire District's Covered-Employee Payroll	411,310	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	391.90%	415.49%	500.75%	365.28%	276.18%	352.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.48%	58.60%	52.01%	56.31%	62.41%	58.70%

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

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

	For the year ended December 31,					
	2018	2017	2016	2015	2014	2013
District's Contractually Required Contribution	\$ 116,461	\$ 96,532	\$ 72,553	\$ 60,512	\$ 55,388	\$ 52,842
District's Contribution in Relation to the Contractually Required Contribution	(116,461)	(96,532)	(72,553)	(60,512)	(55,388)	(52,842)
District's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	\$ 461,223	\$ 411,310	\$ 387,964	\$ 339,462	\$ 339,462	\$ 328,454
District's Contributions as a Percentage of it's Covered-Employee Payroll	25.25%	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, 2018

Police and Firemen's Retirement System (PFRS)

Changes of Benefit Terms

None.

Changes of Assumptions

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

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

GENERAL COMMENTS AND RECOMMENDATIONS

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

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$40,000, except by contract or agreement.

It is pointed out that the 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 \$17,500 "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.

Finding 2018-001:

It was noted during our audit of the District's Capital Projects Fund, that capital appropriations were overspent by \$84,248. This was due to the District's purchase of additional renovations in the amount of \$84,248 that was not included in the 2018 Capital Budget.

Recommendation:

Acquisitions of capital appropriations should be in accordance with N.J.S.A 40A:14-85.

Managements' Response:

The finding will be corrected in the fiscal year ending December 31, 2019.

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

August 12, 2019
Toms River, New Jersey